FINANCIAL TIMES



🕶 Saddam Hussein Keeping the world guessing

Edward Mortimer, Page 12

Douglas Hurd

Why Emu must be postponed



Reviving Assuit A terrorist base transformed

British schools Tough options on the chalk face

WEDNESDAY JANUARY 31 1996

Brussels plan to vet mergers faces hostile reception

Controversial plans by the European Commission to extend its control over the vetting of company mergers are likely to get a rough reception from member states when they are unveiled today.

Brussels officials believe too many mergers affecting the EU's single market fall outside the scope of the Commission's merger taskforce. Page 14; Dispute at EU over contract tendering, Page 3 Chance of US rate cut is lifted: Unexpectedly

weak economic data on consumer confidence and sales increased the chance of an early cut in US interest rates rose raised. The figures were released as the Federal Reserve began a two-day strategy meeting. Page 14; World stocks, Page 36

Electrolux, the Swedish company that is world's biggest maker of household appliances, painted a gloomy picture about its prospects in the first half of 1996, saying consumer confidence remained fragile in its main markets. Page 15

UK spending cuts opposed: UK chancellor of the exchequer Kenneth Clarke warned against big long-term cuts in state spending and any pre-election commitment to a referendum on a European single currency. Page 9; Hurd interview, Page 13

PJR Nabisco, US tobacco and food group under pressure to spin off its food business, marked the end of a poor year for profits growth by reporting fourth-quarter net earnings of just \$33m, against the comparable period's \$29m. Page 17

Chirac to push for nuclear test ban treaty



(left) is due to fly to Washington today hoping to put behind him the diplomatic damage caused by French nuclear tests in the Pacific and present a more constructive image of his country's security policy. He will reaffirm his keenness for an early

comprehensive test ban treaty and discuss with President Bill Clinton the implications of France's new-found willingness to co-operate more closely with Nato. Page 3

Apple Computer: Shares in the struggling personal computer company fell sharply as inves-tors' hopes of an imminent takeover bid faded. Rumoured talks with Sun Microsystems, leading computer workstation manufacturer, are believed to have ended without agreement. Page 17

Bouygues, French conglomerate, revealed big provisions for its industrial holding, telecoms and property businesses, forcing it into losses of about FFr4bn (\$780m) for 1995. Page 16

Chernomyrdin favoured: Russia's liberals, who feel betrayed by President Borls Yeltsin's lurch towards nationalist hardliners, want Victor Chernomyrdin, the moderate prime minister, to contest June's presidential elections. Page 3

nuel Goldwyn: Negotiations over the future of the debt-laden Los Angeles film company have run into difficulties with the reported withdrawal of a partial offer from PolyGram, a subsidiary of Philips of the Netherlands. Page 17 EU backtracks on human rights: European

Union states have secretly watered down provisions on human rights and democracy in Turkey which formed an intrinsic part of a Ecu375m (\$443m) aid package for the Ankara government. Page 3

Engineering recovery 'to carry on': The recovery in the world's engineering industries is expected to continue into 1997, according to a United Nations report. Page 4

Boost for Chinese airports: China is accelerating the expansion of its airport network to cope with a continuing surge in passengers numbers, but has placed a ceiling on new aircraft orders this year of 27. Page 7

Record iobless rate in Japan: Japan's unemployment rate stagnated in December at a record 3.4 per cent, but the government greeted a slight improvement in the labour market as a sign of better times ahead. Page 6

Blast kills miner: One miner was killed and eight others were missing after an underground explosion at a gold mine near Carletonville west of Johannesburg, South Africa.

Switching off, dropping out: Only 35 per cent of top managers at big companies rate the Internet as an effective business tool, according a survey for the International Visual Communication Association and Japanese electronics giant Sony.

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O THE FINANCIAL TIMES LIMITED 1996 No 32,696 Week No 5



Unions oppose public sector staff cuts Rexrodt sees boost for jobs

German 'action plan' under fire

By Peter Norman and Judy Dempsey in Bonn and Andrew Jack in Paris

The German government's long awaited 50-point "action programme" to boost growth and jobs was criticised yesterday by trade unions and met a luke-

warm response from industry.
Unveiling the package, Mr
Gunter Rexrodt, economics minister, said supply side reforms to improve conditions for investment and employment were at the heart of measures to halve Germany's 4m jobless total by the end of this decade.

In a "co-ordinated action". Germany finalised its package of measures on the same day the French government announced steps to boost demand.

The Bonn plan, approved by the cabinst yesterday, set out to encourage entrepreneurship and business start-ups and reduce public spending's share of gross domestic product from just over 50 per cent to 46 per cent by 2000. Mr Rexrodt, who headed the cabinet committee that drew up the Bonn government programme, described the measures as "a vitamin shot to bolster inherent strengths" in the Ger-man economy which is facing low growth and rising unemploy-

ment this year. However, trade unions made clear their opposition to proposed reductions in public sector personnel while officials in German states indicated they were unhappy over planned cuts in local business taxes.

Mr Rexrodt said that while some of the measures were tough, there was no intention to dismantle the country's social security system. The plan included measures to ease the taxation burden on business, promote deregulation and privatisa-



Günter Rexrodt (right), Theo Waigel (centre) and Labour minister Norbert Blum unveil the 50-point plan to boost growth yesterday

tion, lower subsidies, encourage investment funds and venture capital and strengthen research and development.

In spite of growing doubts else where in Europe, Chancellor Hel-mut Kohl's government also strongly reaffirmed its support for European integration and starting economic and monetary union in line with the Maastricht treaty timetable on January 1

Giving the German programme an added European flavour, Mr Theo Waigel, finance minister, disclosed that Bonn's plans had been discussed with the French government on Monday before

Mr Jean Arthuis, French finance and economics minister, said Germany and France had discussed their measures and the two countries agreed that their problems arose from "a pause in the growth cycle. Activity should return in the two countries in a stronger way during the second half of 1996.

The French measures were aimed at boosting consumption, cutting interest rates and helping the construction and public works sector of the economy. One of the most important ges-

product the proceeds of which tures was the first reduction for 10 years in the tax-free interest rate offered on the "Livret A", a

country's commercial banks, which had become increasingly German package fails to investment products fell. relaunch economyPage 2

Hidden champions take .Page 12 Editorial Comment Page 13 ...Page 14

remects

between importers in Japan.

imported vehicle registrations in

tive year and reached a record

388,162 units last year, with car

imports up 31 per cent to a 10 per

favourite among fashion con-

The Volkswagen Golf is a

cent share of the market.

are used to fund the construction of low-income housing, by 1 per-centage point cent to 3.5 per cent. The announcement was followed by a concerted move to cut base rates by 0.5 of a percentage point to 7 per cent among the

critical at the unchanged Livret A rate as the returns on other Other measures, such as a

change in the rules governing early retirement to safeguard the financing of Germany's "pay as you go" pension system, have still to be clarified in talks between the government, employ ers and trade unions. Financial markets were appar-

ently unmoved by the package. The Dax stock market index in Frankfurt finished slightly lower. while the dollar closed at DM1.4899 in London, compared

year, registrations rose 32 per

cent to 27,028, giving Volkswagen

US-made Ford registrations

10 per cent of the imported car

climbed 21 per cent and the Mon-

deo rose over 170 per cent. How-

ever, at 6,418 units, it still lagged

far behind the Golf.

Hanson to break up his empire into four companies

By Clay Harris, Norma Cohen and David Wighton in London

Lord Hanson, who built up one of the world's leading industrial conglomerates through three decades of takeovers, is to break it up before he leaves the corpo-

rate stage. oany and Britain's 13th largest pany and Britain's 13th largest listed group at yesterday's £11bn (\$17bn) market value – announced plans to split into four parts by the end of this year. Investors will receive shares in each of the companies.

The move follows similar demorrant announcements by Tre

demerger announcements by US companies such as ITT and AT&T, and Hanson's own spin-off last year of US Industries.

Lord Hanson, 74, said yester-day: "We are making this excit-ing and radical move to create even greater management and growth opportunities.

The four companies will be:

Energy, to include Peabody, which mines coal in the US and Australia, and Eastern Group, the UK electricity company. It will be listed in London and New York.

• Imperial Tobacco, the world's 22nd largest maker of cigarettes, to be listed only in London. Both it and the energy company will be chaired by Mr Derek Bonham. Hanson's current chief executive and deputy chairman. Chemicals, in a New Yorklisted company incorporating

SCM and Quantum Building materials and equipment. This rump company will also own Hanson's 125 per cent stake in Britain's National Grid Group, Lord Hanson intends to remain chairman of this company until he retires in 1997. Lord White, his long-time business partner, died last year.

The choice of successor to Lord Hanson had been one shadow year-old son, Robert, already a director of the group, will also stay with the rump company. One leading investment man-

Continued on Page 14 Editorial Comment, Page 13 Observer, Page 13 Lex. Page 14 Reports and analysis, Page 18

Ford infuriates rivals with Japanese adverts

key tax-free national savings

Ford, the US car manufacturer, has provoked an unseemly spat with its European competitors in taking out advertisements in main newspapers suggesting that rival vehicles are overpriced.

"Why is golf expensive in Japan?" Ford asks in an advertisement featuring the popular Volkswagen Golf perched on a golf tee. Ford admits that the play on words is intended to suggest that the price of a Volkswagen Golf is as high-priced as playing golf in a country with famously expensive green fees.

European manufacturers have missed the joke. "It's absolutely infuriating," sald one. "Ford has only just started to invest in the Japanese market while European car companies and other US companies have worked hard to develop the market. And here somebody comes in at the last



Why is golf expensive in Japan!? the Ford advertisement asks

Another competitor said the Ford campaign was "a classic latecomer's" strategy. "Ford is trying to create a differentiation through price because they have been unable to establish a quality image in the mind of the Japanese consumer."

Several European car compa-

curate information. But Ford increasingly fierce competition plans further attacks.

According to the Ford advertisements, European cars, such Japan rose for the third consecuas the Golf, allegedly cost more in Japan than in Europe. The Golf, according to Ford, is ranked in the lower-medium class of cars but in Japan costs more than the Ford Mondeo, which is one rank above it in the medium class.

The Ford Mondeo "is the first European car to be introduced into the Japanese market at the same price as it sells in Europe...Ford is different from those European manufacturers who suddenly put up their prices when they sell their cars in Japan", the advertisement says. Volkswagen in Japan said the

price comparisons did not take into account the differences in equipment offered. In Germany, Several European car compa- air conditioners, airbags nies are considering a formal and an anti-lock braking

complaint to Japan's Fair Trade system were not necessarily

By Raymond Snoddy

The television viewers of Europe will be able to watch the summer and winter Olympic Games on terrestrial "free" television at least until 2008.

The International Olympic Committee said yesterday it had agreed a \$1.442bn (£900m) deal with the European Broadcasting Union, the body that represents the public broadcasting of Europe, North Africa and the

The deal with the EBU, which has held the European broadcasting rights to the Olympic Games since the Rome Olympics of 1960.

oration until at least 2010. A bld signed by Mr Sam Chish-olm, chief executive of British

ing rights up to the year 2008.

The IOC has already sold US and Australian rights up to the year 2006 to NBC, the US network company, and The Seven Network of Australia

sum is to be be added to the total Murdoch will not try to challenge the decision under European

company said.

The effect of the \$2bn Murdoch Lake City \$120m.

Salt Lake City bid.

	ews Corporation respec	cts the	Continued on Page 14				
	CONTENTS						
14	Arts Guste	Markets Commodities25 FT Actuaries	Money Markets27 Recent Issues36				
13	Comptales	FT/SP-A Wild Indices35	Share Information28,23				
12 13	Harson Demorps18 UK24 Int Companies16.17	Foreign Exchanges27 Gold Maniels28 Int. Bond Service28	London SE				
	hg. Cap Macs26	Managed Funds 30,31	Bourses				

LORDON - LEEUS - PARIS - FRANKFERT - STOCKBOLM - MANNED - NEW YORK - LOS ANGELES - TOKYO

Murdoch loses bidding for Olympic television rights

In addition a "profit-sharing"

effectively shuts out Mr Rupert Murdoch's News Cor

American Neve World Trade News

UK News .

Leader Page

Observer ...

Sky Broadcasting, the satellite television venture, and underwritten by News Corporation ear-lier this month, offered \$2bn for the European Olympic broadcast-

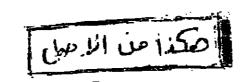
It is the first time that broadcasting rights have been sold so far in advance. News Corporation yesterday accepted the decision of the International Olympic Committee. Mr

Rights-holders are well able to make their own decisions with regard to the relative merits of financial bids and the extent and the quality of the coverage," the

bid has almost certainly been to push up the amount the EBU has had to pay to gain the rights. The European broadcasting rights to the Sydney Olympiad in 2000 will cost the EBU \$350m and the 2002 Winter Olympic Games in Salt

It is believed the original EBU bid for Sydney was \$280m and that \$20m had to be added to the The EBU said yesterday that

CIN Ven	
A SAUNA MANU	JFACTURER WH
WANTS TO WO	
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More questions than answers in 'action programme' for investment and jobs

German package fails to excite

At first glance, yesterday's 50-point "action programme for investment and jobs" agreed by the cabinet in Bonn appears quite impressive.

But on closer inspection, it isreminiscent of the many economic stimulation packages announced by successive Japanese governments and many of the proposals have been

flagged already.
Others still need to be agreed inside the Bonn coalition. Where there has been a clear cabinet decision, many proposals will have to be negotiated not least with the opposition Social Democrat party (SPD) which controls the Bundesrat. the upper house of parliament. representing the Länder

Chancellor Helmut Kohl's government has set the ambitious goal of halving unemployment by the end of the decade. This will be far from easy. Twelve months ago, the government's 1995 economic report forecast a 300,000 fall in unemployment last year - it rose by 231,000 between December 1994 and last month.

an increase in average unemployment to 8.9m from 3.61m in 1995. A measure of the goverment's difficulties will come next week when official figures are expected to show Germany's jobless total topping 4m - more than one in 10 of the labour force. Moreover, the cabinet that

agreed yesterday's package is the same body that last year agreed to liberalise shopping hours only to delay implementation until after important state elections in March. This was because of dissent among parliamentarians of Mr Kohl's Christian Democratic Union. The planned abolition next

January 1 of the local trading capital tax - a levy which Mr Theo Waigel, the finance minister, calls a fossil - was in yesterday's package, and had been on the minister's agenda last year. He failed to eliminate the levy at the beginning of this year because of SPD opposition in the Bundesrat.

The Social Democrats have signalled opposition to the plan, announced on Monday, to reduce from the middle of next er 1994 and last month. year the solidarity surcharge – The official forecast for 1996, a levy on income taxes to help

WHAT FUTURE HOLDS: KEY FORECASTS FOR 1996

% change in real terms on previous y	1994	1995	1996
Gross domestic product	29	1.9	1.5
Western Germany	2.4	1.5	1.0
Sestem Germany	8.5	6.3	4 to 6
Domestic demand	2.8	1.8	1.5
Private consumption	0.9	1.3	2.0
State spending	1.2	2.0	1.5 to 2.5
investment	4,3	1.8	-1 to 1
Corporate	0.7	1.3	2 to 3
Hoveing	13.1		-3.5 to -4.5
State	-0.6	-1.5	0 to -2
Exports	.7.5	3.7	3.5 to 4.5
Imports	7.1	3.1	. 3 to 4
Consumer price inflation	2.8	20	2.0
GDP deflator	2.3	22	2.0
Unemployment rate (% of labour force)	9.6	9.4	10
Average unemployed (thousands)	3,698	3,612	3,900
Public sector deficit (DMbn) Public sector deficit (as % of GDP)	88.8 2.6	123.6 3.6	125 to 135 3.5

pay for German unification. No sooner had Mr Waigel agreed with Mr Wolfgang Ger-hardt, leader of the Free Demo-

state premiers and finance ministers. The planned cut to 5.5 per cent from 7.5 per cent will require the states to meet crat junior partner in the coali-DM3bn (£1.3bn) of the expected tion, to reduce the levy than a DM4bn cost next year. howl of protest went up from Nor were the protesters con-

fined to the opposition SPD. Bayarian state politicians from Mr Waigel's own Christian Social Union were yesterday critical of the compromise.

While the SPD's ability to block a significant portion of government legislation means that much of yesterday's pack-age will be subject to negotiation, other parts still have to be clarified or negotiated within the coalition or with other involved groups.

Tax incentives flagged in yesterday's package to encourage the establishment of new companies have still to be worked out among experts and with representatives of the main business lobbies. However, Mr Waigel yesterday insisted that there were no differences among coalition politicians on this issue

More worrying was the absence yesterday of a clear plan for curbing early retire-ment, which has crippled the finances of the Pederal labour office and the state pension scheme and contributed to Germany's very high non-wage labour costs.

This difficult issue is due for discussion on February 12 in the latest of a series of meet-

his leading ministers and rep-

and trade unions.

resentatives of the employers

government's strategy for

curbing non-wage labour costs

still obscure, it is difficult to

judge how far trade unions and

employers will eventually sup-

port the package. The govern-ment has invested much hope

in the "alliance for jobs", ini-tially proposed by Mr Klaus Zwickel, the head of the power-

ful IG Metall trade union, and

its promise of new jobs in return for wage restraint. This,

Mr Gunter Rexrodt, the eco-

nomics minister, said yester-

day, was an "incredibly impor-

However, reactions from the

trade unions to yesterday's package were anything but

encouraging while the employ-

raises as many questions as it

provides answers. The fear

must be that its publication

will mark the beginning of

months of trench warfare rather than serve, as Mr

Rexrodt hopes, as a signal that will boost business confidence,

investment and employment.

The 50-point programme

tant step".

With key elements of the

New premier for Bosnia

EUROPEAN NEWS DIGEST

Bosnia's prime minister, Mr Haris Silaidzic, left the government yesterday after months of battling with the ruling Social Democratic Action party (SDA). His successor, Mr Hasan Muratovic, minister in charge of United Nations

Hasan Muratovic, minister in charge of United Nations relations, was voted in yesterday. Mr Muratovic who will lead an interim government until elections later this year.

The new republican government of Bosnia-Hercegovina has been cut from 12 to five ministries. This was the issue which caused Mr Silajdzic to resign both as premier and from the party. He had wanted the government, which represents the whole of the state and will include a representative of the Serb entity following the elections, to be a central unifying power. The SDA and the leading Croat party, the HDZ, however, have The SDA and the leading Croat party, the HDZ, however, have raised the relative political importance of the Bosnian-Croat raised the relative months in the pointly dominate, by Federation government, which they jointly dominate, by voting to scale down the republican government. Mr Silajdzic is expected to form his own party. Harriet Martin. Sarajevo

Stand-off over Aegean island

Warships from Turkey and Greece yesterday warily circled the 4 hectare east Aegean island of Imia, which the two Nato members claim. Each demanded the other pull back, but showed no sign of doing so. Ankara summoned the Greek ambassador to demand "the immediate withdrawal of Greek ships" from around the uninhabited island, which lies between the Turkish coast and the Greek island of Kalymnos. Mr Costas Simitis, who took office as Greek prime minister this month, earlier issued a warning that Greece would not hesitate to defend Imia, which Athens says was ceded to Greece by Italy in 1947.

The conflict began last week after the captain of a Turkish ship that ran aground on the rock refused to let a Greek tug assist it, saying the territory belonged to Turkey. Since then, Turks and Greeks have planted their own country's flag there, ripping down those of their rivals.

New rules for German telecoms

The German cabinet yesterday approved a law to regulate a liberalised telecoms market after 1998. Approval had been delayed by a tussle between two ministers over control of the regulatory authority. Mr Günter Rexrodt, economics minister, has won the argument but was forced to compensate Mr Jürgen Rüttgers, research and technology minister, with control over preparations for the Expo world fair in 2000 and another agency which approves industrial standards. The law receives its first reading in parliament tomorrow

and officials in Bonn hope it will be passed by June.

Meanwhile, the monopoly commission urged the
government to press ahead with full-scale privatisation of the
electricity utilities which are hoping to become leading telecoms operators. The commission said competition in the German telecoms market would only be effective if companies such as RWE, Veba and Viag no longer had regional electricity monopolies. *Michael Lindemann. Bonn*

Conductor quits in culture clash

Mr Gerd Albrecht, the German chief conductor of the Czech Philharmonic Orchestra, resigned yesterday after a long and bitter artistic row that became inextricably linked with a recent sharp deterioration in Czech-German relations. Mr Albrecht was distrusted by the Czech cultural

establishment for allegedly neglecting works by the Czech composers Smetana, Janaček and Dvořák that are at the heart of the orchestra's repertoire. He also became embroiled in disputes with the culture ministry over money and with President Václav Havel. He struck a further discordant note by accusing Czechs of cultural chauvinism and claiming to be a victim of anti-German feeling.

The row became increasingly political at a time when Prague and Bonn are deeply divided over a joint declaration that would finally settle issues lingering from the Nazi occupation of Czechoslovakia and the expulsion of 2.5m Sudeten Germans in 1945. Vincent Boland, Vincent Boland, Pragu

Italian newspaper price probe

Italy's anti-trust authority has asked the country's media watchdog commission to investigate whether the daily newspapers are operating a price cartel.

Newspapers prices were notionally liberalised in 1988. However, the authority yesterday released a table showing that the first three years of the liberalisation, only one newspaper adopted a different price, the business paper Il Sole 24 Ore, and this was in the third year. Even today, the prices are only different in the case of Sole 24, and the best-selling sports daily Corriere dello Sport, though a new four-page daily broadsheet, Il Foglio, was launched at L1,000 (41 pence) by Mr Giuliano Ferrara, main speech writer for former premier Mr

Profits have been undermined by steep increases in newsprint costs and ever more burdensome staff overheads in Robert Graham, Rome

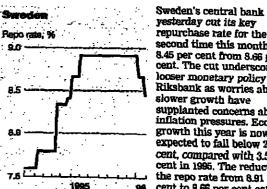
Berlusconi denial on Mafia cash

Mr Silvio Berlusconi, the former Italian prime minister yesterday denied before a court in Catania, Sicily, that the Standa stores chain in his Fininvest business empire had ever received threats or paid protection money to the Mafia. He was a witness at a trial at which the public prosecutor claimed all the other big stores in the city had paid protection money. Standa's main store in Catania suffered an arson attack in January 1990 causing L14bn (£6m) of damage. Subsequently a Catania Mafia member claimed the attack was designed to

force Standa to pay protection money and buy foodstuffs from Maña-controlled companies. The same person also alleged a Berlusconi aide had met the dominant Santapaola clan – a

ECONOMIC WATCH

Sweden lowers its repo rate



repurchase rate for the second time this month to 8.45 per cent from 8.66 per cent. The cut underscored a looser monetary policy by the Riksbank as worries about slower growth have supplanted concerns about inflation pressures. Economic growth this year is now expected to fall below 2 per cent, compared with 3.5 per cent in 1995. The reduction in the repo rate from 8.91 per

96 cent to 8.66 per cent earlier this month was the first cut by the Riksbank since August 1994. Publication of proposals earlier this month by Mr Göran Persson, the finance minister and prime minister in waiting, for increases in welfare payments, tax rises and extra

8.1 per cent of the workforce in 1995 from 547,000 (8.5 per cent) the year before, according to the central statistics bureau's

December from a year earlier, the industry association said. In the final quarter of 1995 orders were 8 per cent lower.

ENCOURAGING ENTREPRENEURS

Moves to help people set up in business

When Mr Günter Rexrodt, the economics minister, stood up yesterday to present the government's package on jobs and investment, the first thing he focused on was how to strengthen the entrepreneurial spirit in Germany.

This is an issue close to Mr Reyrodt's heart. He believes Germany's culture of self-reliance, initiative and independence is under-developed and, as he pointed out, an average of four jobs are created

These businesses, whether they be the Handwerk, the crafts and trades sector, or the Mittelstand, Germany's small and medium-sized companies. are still considered the backbone of the country's economy. Mr Rexrodt said they needed the opportunity to find backing from financial institutions.

The cabinet agreed that DM1bn (£446m) should be made available as venture capital through banks and other financial institutions. Venture capital is hard to find in Germany. and many medium-sized companies rely entirely on family

The cabinet also proposed that a further DM1bn be made available for companies which are fundamentally competitive but are experiencing tempo-rary liquidity problems. The aim is to provide a kind of safety net in an attempt to make Germans less averse to risk-taking and branching out

Ministers also favour the use of tax breaks to encourage entrepreneurship. Those prepared to take the risk of ting up a company would be given income, trade and comthree-year period, or the possibility of setting off investments

will finalise details during the first quarter of this year. The Handwerk would be sub-

ject to less red tape and "superfluous" regulations would be scrapped to encourage individuals to set up in business.

The government also intends to encourage risk-taking in another form: through reduc-ing subsidies, increasing the number of companies to be privatised, and introducing deregulation, especially in the electricity sector.

The uncompetitive coal sec-DM8bn annual subsidies scrapped or sharply reduced after 2000, even though this would probably mean job losses and would be resisted fiercely by the Social Democrats (SPD). However, there are no subsidy cuts proposed for the influential agricultural

Also high on the agenda is deregulation of the electricity and gas industries, where a few large companies enjoy a monopoly in supply and distribution of energy, and charge industrial and domestic household some of the highest energy prices in Europe. The cabinet is anxious to have a draft law on the table early this year despite strong opposi-

tion from the sector and the Some of the country's airports, including Cologne/Bonn and Hamburg, will be privatised and the long-standing plan to sell off Lufthansa, the national airline carrier, will be revived. The remaining 34 state-owned enterprises in east Germany will also be sold off.

In addition, the government still hopes to push Länder (states) and municipalities towards contracting out or privatising local services, such as rubbish collection.

LABOUR COSTS

Social welfare bill to be tackled

By Judy Dempsey

A two-pronged strategy aimed at reducing non-wage labour costs and increasing employment, was presented yesterday by Mr Norbert Blum, the social affairs minister.

Social welfare contributions, shared by employers and employees, are rising this year to 41 per cent of labour costs from about 39 per cent last year, and are considered a significant brake on competitive

Mr Blim said the government aimed to cut this below ing for "evolution, not revolution", he ruled out any radical change to the social welfare system and claimed that the country's expensive pension provision was the best in the

Even though the contribution by employers and employees to social welfare costs is high, the state pension insurance scheme is running a deficit of DM10bn (£4bn). By the time the younger generation reaches retirement age, there will be no money available to pay their pensions - the everincreasing ageing population

will have emptied the kitty. One proposal floated yesterday was to raise the minimum age - currently 58 - at which people can draw the state pen-

Mr Blim, who believes employers use early retirement to cut labour costs, has said that the 300,000 people who took advantage of it last year cost the social welfare system more than DM66bn -DM36bn in pension contribu-tions forgone and DM30bn in nefits being paid out.

On the employment front, Mr Blüm seemed moderately optimistic, suggesting that 850,000 jobs could be found in domestic service. But the opposition Social Democrats (SPD) are likely to resist such plans, believing these employ-ees would have no social security or pension rights.

Mr Blim also suggested there was an increasing demand for part-time employ

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R nues during the current year, he said that an extra FFr20bn in credits allocated in the 1996



ce minister Theo Waigel: aiming to reduce German public spending to 46 per cent of gross

EASING BURDEN OF TAXATION

Reform of tax system will come in three stages

By Peter Norman

three-stage reform of Germany's complex and burdensome tax system was a central element of the "action programme for investment and jobs" agreed by the Bonn cabi-

net yesterday.

Mr Theo Waigel, finance minister, said the government planned a "revenue neutral" reform of company taxes from January I, followed on July I 1997 by the two percentage point reduction to 5.5 per cent in the deeply unpopular "solidarity surcharge" agreed by coalition parties on Monday.

The third step, after the next German general election in 1998, will entail cuts in income and corporation tax rates and reinstatement of the smooth progressive upward path in tax rates that characterised Germany's income and corporation tax systems until the

beginning of this year. The third phase tax cuts will be financed by eliminating concessions, broadening the tax base, and by strict public spending control.

Mr Waigel yesterday reaffirmed the goal of reducing public spending from just over 50 per cent of gross domestic

product to 46 per cent by the The government wants to ease the burden of direct taxation gradually.

Next year's planned corpo-rate tax reforms include abolition of the Gewerbekapitalsteuer local trading capital tax, which companies must pay even when they make losses, and lower local profit taxes to help medium-sized enterprises

Wealth tax will be abolished from next January and inheritance and gift taxes reformed to ease the transfer of familyowned companies from one generation to another.

Low-key announcement for government's plans

France unveils measures to relaunch economy

budget would be frozen.

. A second notable result of negotiations held over the past

By Andrew Jack in Paris

Many of the French government's measures, announced yesterday, for relaunching the economy, are less about significant new ini-tiatives, and more about finetuning existing ideas - which will involve considerable questions of interpretation. The reforms, finalised late on

Monday night, were made pub-lic in a relatively low-key way. It was Mr Jean Arthuis, the economics and finance minister, who unveiled the details rather than Mr Alain Juppé. the prime minister, who spoke about them on television later. Perhaps one of the most important measures was not part of the package at all. Mr

Arthuis stressed that the government was determined to remain within "a few billion" francs of its FFr322bn (£42bn) budget deficit target for 1995, and within the "envelope" voted by the French parliament for 1996.

To help achieve this in the

light of slowing economic

growth and falling tax reve-

few days ahead of publication of the details of the measures was a reduction announced yesterday afternoon by the country's leading commercial banks to lower their base rates. From the start of February they will come down by 0.5 per cent to 7 per cent, a move which should substantially reduce financing costs and could help boost consumption

and industrial investment. The quid pro quo was one of the central pillars of yesterday's initiatives. In line with growing speculation throughout January, Mr Arthuis said that the key tax-free "Livret A" national savings interest rate would be reduced from 4.5 per cent to 3.5 per cent. The action could prove risky,

since some 80 per cent of French households have Livret A accounts - available through the Post Office and the national savings bank network - and the last such cut in 1986 provoked a sharp fall in the government's popularity. But the higher rates will be preserved through schemes

targeted at young people and

those on low incomes. Mr Arthuis, echoing the commercial banks' concerns, argued that the rate had become out of step with the returns available on other investment products, which have fallen steadily. He also stressed that the Livret A was used to finance public housing, and a reduction in the interest rate for savers

would also reduce the cost of

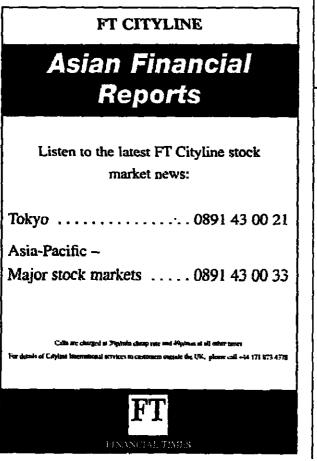
loans, helping organisations

across the country to build

more low-income accommoda-Among the other ideas announced to help boost consumption was a 25 per cent tax

deduction for the first two years available on loans taken out to buy consumer goods. The markets' reaction to the French measures appeared pos-tive, with the CAC-40 index of leading quoted company shares closing up 1.13 per cent at the end of the day. Officials also argued that

many of the measures announced in Germany yesterday matched programmes already taken in hand in France over the past few months, including initiatives designed to help small and



spending to cut unemployment also upset financial markets still worried by Sweden's high debt levels. But the markets appeared to welcome yesterday's interest rate cut as a positive step. Long-term interest rates fell back and the krona was Steady.

Hugh Carnegy, Stockholm

Average unemployment in the Netherlands fell to 538,000 or

8.1 per cent of the weekforce.

annual labour market survey. ■ German engineering orders fell 10 per cent in real terms in

هكذامن الأجل

contract tendering

The European Parliament is set to spike European Commission proposals aimed at ensuring a level playing field for EU and non-EU companies tender-ing for large public sector contracts in the Union.

The Parliament's monetary affairs committee last week rejected proposals to modify the EU's procurement laws to bring them in line with an international agreement which applies rules ensuring fair and open competition to more contracts and bidders than current EU rules, and under which companies failing to win a contract have the right to be told why.

The Commission has reacted furiously to the decision, which could be backed by a full vote of the Parliament

The EU, along with seven other countries, is signatory to international rules - the Government Procurement Agreement (GPA) - which provide guarantees of fair and open competition for public sector

The international accord gives EU companies access to Ecu450bn (\$570bn) worth of

within the EU to companies Korea, Israel, Norway and

The Commission believes changes to EU procurement directives are necessary to ensure EU companies are not discriminated against under GPA, which was negotiated under Gatt and came into force on January 1.

But the parliamentary committee, backed by a powerful industrial lobby, argued that the Commission's proposed changes went beyond the adjustments needed to comply with the GPA.

"It is true the legislation has to be adapted, but the Commission wants too many changes. It is going too far," one lobby-

The Commission believes the campaign against the propos-als has sought to disturt the scope of the changes. "Oppo-nents to the BU's liberalised procurement regime are simply using the opportunity to attack the system," an EU official said.

The Commission appears to have incurred the wrath of some industries because it has argued that the proposed changes should apply to all sectors and aspects of procure-

covered by the GPA. "The Commission's Intention was to create a level playing field inside the internal market. As a first shot it went for across the board changes," an EU official said.

Among changes being sought by the Commission was reduction in the threshold for some contracts to make sure that contracts advertised for third-country bidders under the terms of the GPA, which are in some cases lower than in the EU, are also available to EU companies.

"Without this adjustment foreign companies would have rights and guarantees provided by the GPA which EU companies do not have under EU directives," an EU official

A change was also being sought to the rules governing "technical dialogue" - the process whereby utilities talk to potential suppliers ahead of EU officials thought the

sion would be obliged return to the issue even if the Parliament voted against the proposals. "It is impossible just to leave a situation where foreign companies are better off than EU ones," the EU offi-

> zelli opera house in Bari. clarinet concert.

floor storeroom connected to the theatre. Due to the large amounts of wood in the roof,

Dispute at EU over Venice vows to restore La Fenice

Robert Graham and William Packer report on the aftermath of the opera house fire

he Italian government yesterday treated the gutting of Venice's historic La Fenice opera house on Monday night as a national disaster. Estimates put the cost of full restoration as high as L500bn (\$312m).

Offers of help poured in from all over the country to restore the 200-year-old opera house, a source of inspiration for Italy's main composers. La Fenice commissioned Verdi's bestknown works. *Rigoletto* and *La* Traviata. It also witnessed the debut of the late Maria Callas. The marble façade of La Fenice - which means phoenix was the sole part left

Perhaps symbolically the gilt phoenix with a scroll over the entrance saying Gran Teatro la Fenice was not even singed. But the roof had collapsed, the interior reduced to mounds of charred smoking rubble; while the side walls were in a precar-

Mr Massimo Cacciari, the philosopher mayor of Venice, was seen close to tears surveying the damage. He vowed that the opera house would be fully restored as soon as possible.

Luciano Pavarotti, the tenor who had sung many of his favourite roles there, said: "I'm distraught: It was our jewel." Firemen yesterday ruled out

arson - the cause of the fire in

1991 that destroyed the Petruz-The theatre, owned and operated by its box holders, the Nobile Società - the Noble Society – was in the final stages of a nine-month restora-tion. It was due to reopen in March with a Woody Allen

water from elsewhere in the The fire broke out in a top city and drop it into the flame As flames rose on Monday night above the rooftons.

the boxes that lined the walls to collapse. Within an hour the

flames had virtually gutted the

Firefighting efforts were hampered by most of the canals closest to the Fenice

having been recently drained

for a clean-out. Firefighters

used a helicopter to nick up

700-seat interior.

La Fenice opera house at the height of Monday night's fire and yesterday. Only the external walls and the foyer were saved reflecting a warm rosy glow on the palaces around the Grand Canal, there were fears for other historic buildings. Sparks from the blaze rained down all around and burning embers were falling from the sky at the Giudecca Canal,

more than 2km away. La Fenice, a neo-classical masterpiece by Giannantonio Selva, who was active in Venice around the fall of the republic, means a great deal to

the Venetians

Completed in 1792 it had

in 1836, after which its interior was rebuilt. La Fenice is, or rather was, not one of Venice's oldest monuments; but it was labelled as subversive. as beautiful as any. Byron The state-run Venice opera described it as the finest opera

house in Europe. During the Austrian occupation, which lasted 50 years after the Napoleonic wars, the theatre became something of a symbol of the passive resistance of the Venetians to their oppressors - even the grandest

Venetians refused to take

ing to applaud the performances in a public demonstra tion which would not be

company averages 12 produc-tions a year and the theatre also stages a distinguished programme of concerts. The company is currently on

tour in eastern Europe. Among the productions scheduled just after the opening in March was a new version of Mozart's Don

Chirac bids to rebuild French image in US

By Andrew Jack in Paris, Tony Walker in Beijing and William Dawkins in Tokyo

President Jacques Chirac flies to Washington today hoping to put behind him the diplomatic damage caused by nuclear tests in the Pacific and present a more constructive image of

and the married

French security policy.

He will reaffirm his keenness for an early comprehensive test ban treaty (CTBT), and discuss with President Bill Clinton the practical implications of France's new-found willingness to co-operate more closely with Nato.

France has proposed to its Nato partners a political dialogue on the role of nuclear weapons, in a step back from its traditional insistence on total independence in nuclear

The US has warmly welcomed France's rapprochement with Nato and is keen to define the new French role in the alliance as soon as possible. But some diplomatic fall-out from ducted in French Polynesia

of western public opinion and most governments in the region, appears to be lingering. Monday night's announcement in Paris that nuclear tests had been completed drew

a chilly response from the Japanese government, suggesting that it will take some time for bilateral relations to mend. Mr Ynkihiko Ikeda, foreign minister, reiterated criticisms of France for defying world opinion, and called on France

"to contribute in a more active

manner to conclude a CTBT at the earliest possible time." Japan hoped negotiations on a test ban could largely be completed this spring, paving the way for signature to the autumn. The issue is likely to rank high on the agenda when Mr Chirac visits Tokyo later

this year. Mr Seiroku Kajiyama, Japan's chief cabinet secretary, echoed Mr Ikeda's coolness. is extremely regrettable that France conducted the nuclear tests in defiance of protests from our country and the international community," he said. China affirmed yesterday that it would continue its under-

ground nuclear test programme until a test ben came

"The position of the Chinese government on nuclear testing clear-cut and remains unchanged," said China's official spokesman. "China has conducted a very limited number of nuclear tests and things will continue to be that way." Mr Chirac moved to repair France's battered image in the Pacific region by announcing annual payments of FFr990m (\$190m) a year for the next decade to French Polynesia. counter-balancing the effects of the removal of two military

He said the two uninhabited atolls of Mururoa and Fangataufa, on which the six tests were carried out, would be restored to "pre-test conditaken to belo boost the local

Meanwhile, trade figures released in the past few days have shown that while there were calls for boycotts of French products, the economic effect on exports was more symbolic than substantive.

Liberals **EU** retreats on Turkish human rights Yeltsin

By Lionel Barber in Brussels

EU member states have secretly watered down provisions on human rights and democracy in Turkey which the altered text, expressing formed an intrinsic part of a Ecu375m (\$476m) aid package for the Ankara government.

The retreat on human rights has provoked protests from the European Parliament which understood that the conditions were linked to its approval last month of the EU customs union with Turkey. Senior Brussels civil servants and representatives of the European Parliament were yesterday trying to defuse the dispute over human rights – the largest single problem in Turkey's rela-tions with Europe.

The dispute is part of a broader power struggle over foreign policy between MEPs and the Council of Ministers representing the 15 member

The initial draft of the financial aid regulation - put forward by the European Commission and supported by the European Parliament allowed the Council to take action in the case of human rights violations in Turkey by

a qualified majority only. The Council has since watered down the human rights language substantially and made retaliatory measures subject to the far tougher hurdle of a unanimous Council

A second provision in the text states that: "They (the measures) shall be adopted for a limited period, which may be extended by a decision of the Council acting according to the same procedure."

Mr Alex Falconer, MEP for Mid Scotland and Fife, last week wrote to the 15 EU foreign ministries in protest at

outrage that member states' parliaments and citizens were being bypassed by the Council.
"How bad will things have to get before all member states agree any action against Tur-key? It is likely to be an extremely rare occurrence.

Any number of qualifications human and democratic rights could be written into the Customs Union and the finan-

cial co-operation arrangement.

The Turkish government could safely ignore them." Council officials said yesterday the changes in the text were the legitimate prerogative of member states, and that the Parliament was chiefly interested in winning more powers on foreign policy, specifically via the right to be "consulted" before any action by the Coun-

The officials pointed out that consultation with Parliament could lead to delay of up to two months, further cramping the Council's ability to act deci-sively on EU foreign policy. But Mr Falconer said that many MEPs had only agreed to support the customs union with Turkey last month on the understanding that their human rights concerns could be accommodated in the text on financial aid.

The Parliament approved the customs union by 343 to 149, dropping earlier threats to veto the accord because of concern about Turkey's commitment to human rights and democracy.

urge prime minister to challenge

By John Thornhill in Moscov

Russia's embattled liberals, who feel betrayed by President Boris Yeltsin's lurch towards nationalist hardliners, are trying to draft Mr Victor Chemomyrdin, the moderate prime minister, as a candidate for June's presidential elections.

Izvestiya newspaper said yesterday that democratic groups in St Petersburg were already rallying to Mr Chernomyrdin's cause. It also suggested the political council of the Our Home is Russia movement. which contested last month's parliamentary elections, would decide by February 10 whether to back a presidential bid by

Mr Chernomyrdin, who is in Washington to discuss a \$9hn International Monetary Fund loan, has publicly rejected the possibility of running against Mr Yeltsin, should the presi-dent decide to seek re-election. But it is thought that he may yet decide to break with the president - especially if widespread rumours that he will

soon be sacked are borne out. Mr Yeltsin yesterday strengthened the impression he will seek re-election by calling for a "non-aggression pact" with the comm parliament. Mr Yeltsin says he would announce whether he will run by February 15. It would be an ironic twist if

the liberal parties rallied around Mr Chernomyrdin as their saviour. He was castigated by those same pro-mar-ket reformers, when he succeeded Mr Yegor Gaidar as prime minister in 1992, as being too conservative.



recovery set to continue

By Frances Williams in Geneva

The recovery in the world's engineering industries is expected to continue into 1997, especially for investment goods such as machine tools, robots, computers, office machinery and telecommunications, according to a report by the United Nations Economic Commission for Europe*.

After dipping to a recessionary low in 1992, the engineering industry worldwide recorded growth of more than 6 per cent in 1994. Forecasts for individual industries suggest continued buoyant expansion between 1995 and 1997, the report says.

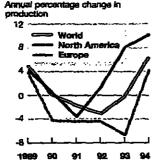
Although most forecasters have downgraded predictions for overall economic activity last year and this, the ECE notes that sustained high investment is creating bright prospects for much of the engi-

neering sector.
Thus the semiconductor industry is predicting 26 per cent growth in production in 1996 after 40 per cent last year. while sales of personal computers are forecast to rise 16 per

cent in 1996. However, the US aircraft industry is still in a slump and demand for motor vehicles will remain sluggish, the report

Despite the surge in production since 1992, engineering companies in the US and Europe have not expanded employment since they under-took drastic restructuring measures to cut losses and improve profitability in the recession. This has led to some spec-

tacular productivity increases, the ECE points out. US examples cited include Microsoft, which boosted sales per employee by 45 per cent between 1990 and 1994, Texas Instruments (96 per cent), Ford Engineering industries



(43 per cent) and AT&T (30 per

Source: ECE

nies laggards in this respect. Sales per employee rose 39 per cent over the same period at Daimler-Benz, 71 per cent at Volvo and 81 per cent at Elec-

In Japan, by contrast, companies hung on to labour during the recession with the result that productivity plunged. Toyota and Mazda, the motor manufacturers, saw sales per employee fall by nearly a quarter, while in the electronics sector NEC suffered a drop of 37 per cent and Toshiba 31 per cent.

The report also notes that Japan's export industry is far more heavily geared to engineering than elsewhere. More than three-quarters of Japan's total goods exports in 1994 originated from the engineering sector compared with just over half for the US and Germany. The latter countries also had much higher ratios of engineering goods imports.
*World Engineering Industries

and Automation: Performance and Prospects 1994-96 (Sales No. E.96.ILE.5), from UN Sales Section, Palais des Nations, CH-1211 Geneva 10. 375.

Engineering Terrorism in retreat in Upper Egypt

Curfew-free Assuit prepares to welcome tourists back, says James Whittington

A ssuit, the provincial capital of Upper Egypt, no longer lives up to its reputation as a hot-bed for dangerous Islamic militants. A mixture of iron fist security operations, increased money for development, and attractive investment incentives are working to transform the town from a terrorist base to a revitalised centre for commerce and industry.

The dawn to dusk curiews have long been lifted, Egyptian special forces have moved on to other trouble spots, and what was only last year a no-go area to foreigners is readying itself to welcome back tourists.

"We've turned our back on the past and are focused on one main objective: To get people to Assuit for investment. This is the only way we can avoid a repeat of what's happened here," says Mr Kadrie Abu Hussein, general secretary of the town's governerate.

As a sign of the times, Assuit's new governor, Mr Mohamed Ragai al-Tahlawi, who was appointed last week, was taken from the town's university rather than the ranks of the police like his predeces-

Located on the broad fertile plains of the Nile, 375km south of Cairo, Assuit is typical of

Upper Egypt which has a dis-tinct character from the rest of the country.

After decades of neglect, the region is generally poorer and less developed than the rest of the country. Per capita income, at about \$330 a year, is about half that of the rest of the country while infant mortality rates, adult illiteracy and unemployment is noticeably

Assuit itself, once a prosper-ous centre of private enter-prise, suffered particularly hadly from the nationalisation policies of President Gamal Abdel Nasser, its most famous son, who overthrew the colonial British-backed monarchy in 1952. The gradual decline in living standards, increased unemployment, especially

among high school graduates,

and the seeming indifference to the region's plight by suc-

cessive government's in Cairo

subsequently proved a fertile

breeding ground for radical

It was in Assuit University

took place of the militant the Gamma'a vowed to over-group Gamma'a al-Islamiya throw President Hosni Mubarwhich has been behind much of the insurgency over the past

oung sa'idis (or southerners) from poor fami-lies with little hope of anything better than a duli and badly-paid job in the public sector proved ideal recruits to the radical brand of Islam which the Gamma's touted as the only solution to save the region from social and eco-

nomic malaise. "People here have been living in unrealistic conditions for so long it's not surprising that some were persuaded to make trouble. It was not a religious dispute or real fanaticism, it was simply the drastic

and a new luxury hotel.

Islamist violence erupted in

ak's government. While occasional attacks against senior government officials and tour-ists in Cairo made the headlines in the foreign press, many areas in Upper Egypt were subject to an almost daily

dose of bloodshed. In Assuit, the town's large Coptic community, a Christian minority, which traditionally prospered as landowners and merchants, were a favourite target for the militants and by December 1993, thousands of extra police troops had to be called in and all roads to the town sealed off to try and sub-

due the violence. "The situation was terrible We were always scared of

People here have been living in unrealistic conditions for so long it's not surprising that some made trouble. It was not a religious dispute or real fanaticism'

> economic situation," says Mr Mokhtar Hussein, a wealthy terrorists but were more scared of the police who were very provocative. Whenever they Egyptian who has come back to his family's roots to invest got together in groups there in the new Assuit with a numwas always trouble," said one ber of agro-industry projects Copt who declined to be

> > Once security was under

up its intelligence and surveillance operations and moved swiftly to try and alleviate some of the area's economic

Public money was found to upgrade the town's infrastruc-ture, build new roads and bridges and investment incentives were announced to attract the private sector with free land and tax exemptions.

"One of the most important things to do is to try and change the mentality of the lower classes and particularly the young. We have to create jobs, put money in their pockets, and give them a sense of opportunity and entrepreneurship," explains Mr Fouad Fatthe end of 1992 to set up a regional office of the government's Social Fund for Development, one of Egypt's most successful programmes aimed

at helping the underprivileged. The Fund, which is backed by the World Bank and donor countries, has so far spent EGP108m (£21.1m) in grants, for public and community works, and credit lines to more than 2,400 small enterprises

throughout the governerate.

Mr Ibrahim Lofti Dobbes,
who borrowed EGP100.000 with his brothers to set up the first rubber parts factory in Upper Egypt, says the money has made a huge difference to his family and his village. With 24 employees he works a two-shift day to keep up with orders. Without this money we would still be waiting for a job with the government." he says.

Despite the turnaround in Assuit's fortune's, however, trouble is never far away.

Only 87km north of Assuit is the town of Malawi where special forces are still battling with militant renegades. "The terrorist action pushed the government to do something for this area but this mustn't be a one-off, unless the people feel a difference on a personal level there will be trouble again," warns private investor,

Cairo votes to scrap new tenancy rent controls

Egypt's housing market has been given a long-awaited shot of deregulation after the newly elected parliament yesterday scrapped rent con-

trols for all new tenancy agreements.

The change, recommended by the International Monetary Fund, will not only free future rentals but will also give landlords the right to evict future sitting tenants. The amendment to the old housing law will not apply to an estimated 95 per cent of Egypt's housing stock where rental ements already exist.

"This will cause a gradual revolu-tion in the housing market," said Ms Sahrine Luca of rental agency Foresight Property Services. "It will remove the difficulties for landlords in renting property to Egyptians by enshrining new tenancy agreements in the law which will help to create a

said one local economist. "But the huge difficulty remains of how to deregulate the existing occupied

real market for rented accommoda-

With more than a quarter of

Egypt's 60m citizens living on less than \$35 a month and barely able to cover their fixed rents, the government feared a wholesale change to the housing law would have caused social unrest.

Since taking over as prime minister at the beginning of this month, Mr Kamel al Ghanzouri has managed to breathe some life into Egypt's slothful economic reforms. Last week he reduced customs duties on a list of capital goods and he has set in motion a series of reforms to encourage investment.

Under the old rental system, the

market became so distorted that a wealthy family living in a large apartment in a prestigious area, such as Zamalek overlooking the Nile, could be paying the same as their maid renting a room in the slums of

On top of the monthly rent, tenants pay a down-payment in the form of key-money which for most Egyptians requires years of saving. However, once settled they have been virtually guaranteed a lifetime's accommod tion and would often pass on their rental agreements to their children. As a result, landlords have been

either deterred from renting their properties or have left their occupied housing to crumble away through lack of maintenance

The construction of informal housing has helped cater for those who cannot afford to pay key-money, exacerbating already overcrowded urban areas.

For middle income housing, many landlords preferred to leave their apartments vacant rather than see them taken away by sitting tenants. In Cairo alone there are an estimated 2m empty properties.

1995 **OUR BEST YEAR YET**

Assets up by 15% to £11.6 billion.

Record mortgage lending of £2.3 billion.

Retail investments of £560 million.

Unit costs down: 5% reduction in management expenses ratio to 0.77%.

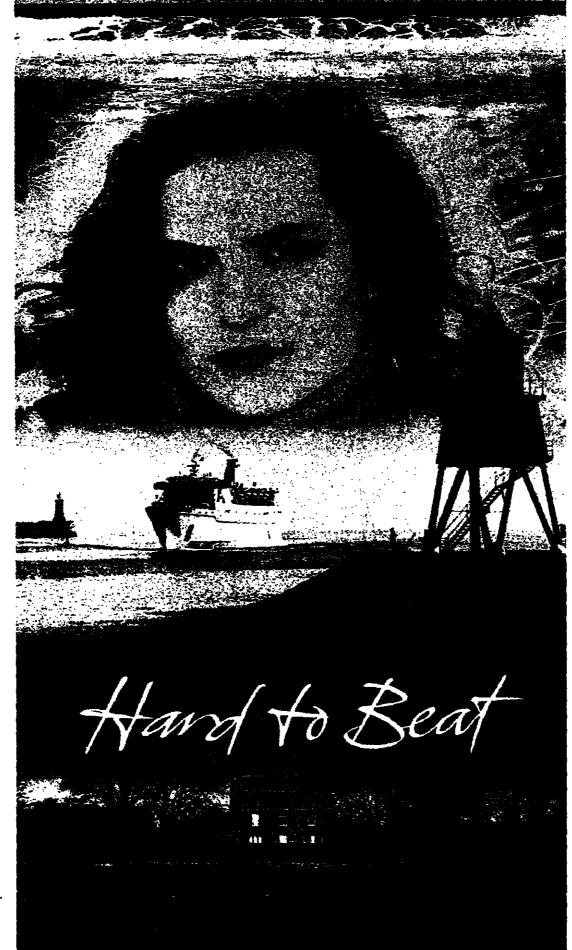
Pre-tax profits up by 25% to £147.0 million.

A reduction in costs to total income ratio to 34%.

Arrears reduced by 12%.

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Southern Africa to seek free trade zone

By Roger Matthews

Ministers from the 12 member nations of the Southern African Development Community yesterday concluded a three day meeting with a commit-ment to reduce tariff barriers and work towards the creation of a free trade area.

The pledge is an essential part of SADC's long-term strategy to reduce its dependence on aid and encourage regional and foreign private sector investment. Ministers and officials from the 12 delegations will over the next two days meet representatives from Nordic countries, the EU and industrialists to discuss ways of attracting more pri-

vate sector investment. "Hearing what the business community has to say about what we must do to attract investment is critically important for us," said a SADC offi-

Mr Kaire Mbuende, the executive secretary of SADC, said the most important decision had been to prepare a protocol for removing trade barriers which would be signed at the organisation's summit in August. "The aim will be to replace the present series of bilateral trade agreements with a single multilateral pro-tocol. Trade ministers will meet in June and the final draft should be ready for the

summit in Lesotho," he said. Mr Mbuende said other elements of the trade protocol would be the creation of a single negotiating forum, the reduction and eventual elimi-nation of non-tariff barriers, proposals for the creation of a "financial facility" to promote industrial development, the sharing of information and research, and giving formal notification to the World Trade Organisation of SADC's intention to create a free trade

area in southern Africa. Negotiations are likely to prove tough, however, because of the great economic disparities between the 12 countries. South Africa is sensitive of the extent to which it dominates the organisation economically, and officials stressed yesterday that its prime concern was to help member countries reach a similar level of devel-

The members of SADC are Angola, Botswana, Lesotho, Malawi, Mozambique, Mauritius, Namibia, South Africa, Swaziland, Tanzania, Zambia.

INTERNATIONAL NEWS DIGEST

Tanzania and Uganda SE move

Uganda and Tanzania will have operational stock exchanges by mid-year, senior officials from Kenya's two East African neighbours said yesterday. The launches of the two bourses are part of wide-ranging economic reforms. The officials. interviewed in Nairobi, said the first share flotation in Kampala, Uganda's capital, would be next month and a stock exchange would be set up in Dar es Salaam, Tanzania's

economic capital, by June 30.

The officials spoke on the sidelines of a Nairobi conference on capital issues in emerging markets.

The Kampala bourse has held trial trading for some time

and officials said interest from private business was robust. Mr John Kaggwa, an official at Uganda's central bank, said Uganda was encouraging foreign investors and foreign brokers to take a lead on the bourse because officials knew that harnessing finance from local sources was not easy.

Uganda began the path of economic reforms in 1986 with the rise to power of President Yowerl Museveni, an economist and political scientist who had fought a five-year bush war. In 10 years of governance, Mr Museveni has brought relative prosperity to a nation once dubbed the "Pearl of Africa". The Kampala bourse is expected to rely on privatisations of

Tanzania began liberalisation in earnest with President Ali Hassan Mwinyi, who took over from founding socialist president Julius Nyerere in 1985. Mr Mwinyi's liberalisation of trade and markets was slow and the mantle has been passed to Mr Benjamin Mkapa.

UN to stay in Western Sahara

The United Nations mission trying to arrange a referendum on the future political status of the former Spanish territory of Western Sahara is being allowed a few more months to continue its efforts.

The Security Council was expected to adopt formally last night a resolution extending the mandate of the 370-member international mission, known as Minurso, until May 31.

Its task is to identify and register people entitled to vote in a referendum that would decide whether to declare Western Sahara independent or confirm its incorporation in the kingdom of Morocco. The Moroccans control most of the territory but their presence is opposed by the Polisario Front

independence movement. The proposed referendum has run into repeated snags and is four years behind the deadline originally set for its completion. The resolution prepared in lengthy private consultations for Council action – which diplomats said would be unanimous - would declare the world body's "deep concern about the stalemate which has been hindering the dentification process."

Polisario and the Moroccan authorities would be urged to co-operate with the UN to overcome the obstacles and invite it to find new ways to create a climate of mutual Michael Littlejohns. New York

Kazakh parliament reopens

Kazakhstan's president Nursultan Nazarbayev reopened parliament yesterday after a gap of nearly a year, telling it not to repeat the mistakes of its predecessor and speed reforms in the former Soviet republic. Parliament reconvened at the end of a 10-month break during which Mr Nazarbayev held of a following breek uning which the transfer over referendums to prolong his term and boost his powers over this vast oil-rich republic of 17m people.

"We need to...finally stabilise the economic, political and

social situation and enter a new stage of development," the former Soviet politburo member said in a one-hour speech. The deputies could have a tough task winning the trust of the Kazakh public as their predecessors had a reputation for being slow to pass legislation. The Soviet-era Supreme Soviet dissolved itself in late 1993 while the next parliament, elected in March 1994, was dissolved a year later after its election was

ruled invalid. Analysts say Mr Nazarbayev engineered that dissolution because the deputies passed just seven laws in a year. He has since issued over 80 decrees.

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Singapore attracts 17% investment boost

By Peter Montagnon, Asia Editor,

New investment commitments in Singapore's manufacturing sector rose 17 per cent last year to \$\$6.86n (£3.2bn), holding out prospects that the island republic will be able to sustain high economic growth in the medium term by boosting productivity and upgrading skills, the Economic Development Board said yesterday. The largest beneficiaries were the chemicals and electronics sectors,

39 per cent of new commitments respectively. Mr Philip Yeo, EDB chairman, said investment by local Singaporean companies was also high for the second year running. It accounted for 28.7 per cent of total commitments, compared with its traditional share in the mid-teens.

Singapore's overall economic growth rate fell last year to 8.9 per cent from 10.1 per cent in 1994, but government planners believe the economy can sustain an 7 per cent

growth rate between now and 2000. Manufacturing industry should grow equally fast so that it maintains its 25 per cent share of the overall economy, Mr Yeo said.

Mr Yeo said Singapore had lost some projects last year to European countries prepared to subsidise them to cut unemployment. But though Malaysia and Thailand were also seeking to establish wafer fabrication plants, Singapore had "a head start" in attracting high value-added investment to the Asia-Pacific region.

Singapore has been trying to promote itself as a regional manufacturing centre, offering innovation and research skills to multinationals wanting a presence in the Asia Pacific region. It also offers financial risksharing and co-investment schemes to companies investing outwards into the region from Singapore. The government yesterday formally announced the launch of a Singapore industrial park in Vietnam, along the lines of that already established in Suzhou, Southern China

Further initiatives planned for 1996 include new incentives, including tax concessions on remission of profits and service income for companies that set up regional manufacturing headquarters in Singapore. This scheme will complement concessions already available to multinationals using Singapore as a regional administrative headquarters.

Mr Yeo said it was targeted at companies using Singapore to provide manufacturing support services to other companies in the region.

Japan jobless still at record level Force an option,

By William Dawkins in Tokyo

Japan's unemployment rate stagnated in December at a record 3.4 per cent for the second month in a row, but government officials greeted a slight improvement in the labour market as a sign of bet-

In another moderately encouraging sign yesterday, the government's Economic Planning Agency said that its index of leading indicators stood at 60 in November, the second month in which it has remained above the 50 dividing line between growth and

The index, a basket of economic indicators including money supply, housing starts pointing to conditions up to six months ahead, stood at 72.7 in October. The EPA's index of coincident indicators, measuring current economic condi-

Yesterday's unemployment figures, however, cast a con-tinuing shadow over consumer demand. The December unemployment result left average unemployment last year at 3.2 per cent, the worst ever, during a time when the economy was struggling to emerge from the longest recession since the 1930s.

The number out of work by the end of December reached 2.11m, up by 340,000 or 19.2 per cent from the same month the previous year. Total employment fell by 0.2 per cent to

The jobless rate might look low by international standards, but Japan's labour ministry uses a uniquely tight measure to define people out of work. Economists in Tokyo believe that the underlying level of joblessness, on the same crite-ria as used by the US, may be double the officially published

Worst hit were young people. The official jobless rate among those aged between 15 and 24 rose by 0.7 of a percentage point to a record 6.1 per cent last year. They are victims of Japanese companies' companies use of recruitment curbs to trim their work forces, a strategy dictated by the social unacceptability of making heavy redundancies among

Manufacturing companies, responding to surplus capacity and fierce Asian competition, were the fiercest labour cost cutters. They trimmed their workforces by 2.2 per cent over the year to Decembe

Jobs were, on the other hand, created in construction, where a 1.4 per cent rise in the number of workers over the same period reflects a public spending boost on infrastructure. Retailers, wholesalers and restaurants increased staff by 1.3 per cent, while employ-ment in the service sector as a whole grew by just 0.4 per cent over the period.

Overall, the number of jobs available per 100 job seekers rose by two from November to 65 last month, the third

Li tells Taiwan

By Tony Walker in Beijing

China yesterday renewed its strong criticism of Taiwanese leaders' efforts to achieve greater independence, but stopped short of laying out a timetable for reunification.

Premier Li Peng, speaking on the first anniversary of the release of an eight-point plan for reunification by President Jiang Zemin, repeated that China had not renounced the use of force to recover Taiwan. "We have consistently encouraged the peaceful reunification of the motherland, but in the final analysis we cannot prom-

ise to give up the use of force." Hong Kong newspapers had reported that China may use the occasion to provide stepby-step plans for reunification, but there was no hint of such a plan in Mr Li's speech.

Last Friday President Jiang, in an address to delegates to a new Preparatory Committee on Hong Kong, said resumption of sovereignty over Hong Kong in 1997 was the "first step" towards recovering Taiwan.

ing presidential elections to be held in Taiwan towards the end of March. Beijing fears the poll will lead to strengthening demands for independence. "There is only one China

and Taiwan is an malienable part of it," said Mr Li. "Whatever changes might occur in the way in which the leadership in Taiwan is chosen, they cannot change the fact that Taiwan is a part of China... It



Li: no reunification timetable

will lead nowhere if some people attempt to use the change of Taiwan leaders as an excuse to put their separatist activities in a legal guise."

China also repeated its warning to the US and other countries not to take action regarding Taiwan that might affect Sino-US relations. "Any foreign anti-Chinese power that tries to use it as a pretext to interfere in China's internal Mr Li's speech yesterday affairs will also be firmly was clearly aimed at influenc- opposed by the Chinese government," Mr Li said.

Beijing was incensed last year when the US granted President Lee Teng-hui of Taiwan a visa.

The New York Times reported last week China may be contemplating a strike against Taiwan after the election. Beljing did not deny the reports outright, allowing concern in Taiwan to build. See editorial comment

ASIA-PACIFIC NEWS DIGEST

Indian private sector 'robust'

India's private sector has responded "impressively" to four years of economic reform, inspiring a "robust economic expansion" led by private investment and export growth, says an international Monetary Fund study" released yesterday. But the study warns India must "persevere" with reforms addressing tighter fiscal discipline, deeper tariff cuts, labour market liberalization and market liber market liberalisation and public enterprise restructuring - to emulate more strongly growing south east Asian neighbours.

The IMF's first occasional paper on India found that

following a balance of payments crisis in 1991, clear signs emerged in 1994-95 of a "vigorous" rebound marked by resurgent private investment and growth, notably in cars and consumer electronics, and with big investments planned in telecoms, power, petrochemicals and oil exploration. Obstacles to private investment remain, it says, including inadequate basic infrastructure, cumbersome state-level permit procedures, and the reservation of 850 items, including most consumer non-durables, for production only by a protected small-scale enterprise sector. Mark Nicholson. New Delhi *India: Economic Reform and Growth: 74pp. \$15. International Monetary Fund, 700 19th St., Washington DC

Farmers attack fast-food outlet

Kentucky Fried Chicken's outlet in Bangalore, the chain's first in India, was attacked by about 40 farmers yesterday and forced to shut. KFC officials, who have been threatened before by the group opposed to multinationals, said they were "shocked and "appalled at the violence", and asked for state government help to restart business. The farmers belonging to the Karnataka Rajya Ryotha Sangha, an association of 10m farmers in the state, broke furniture, causing minor injuries to bystanders. When KFC opened the outlet last year, the farmers claimed fast-food chains would deplete the country's livestock and affect agriculture. Shiraz Sidhta, No. India's Supreme Court ordered a wider probe into a Shiraz Sidhva, New Delhi corruption scandal which has claimed the scalps of several top politicians and threatens to implicate dozens of others, telling the Central Bureau of Investigation to look into "every accusation against each and every person irrespective of their position and status".

Japan's bailout debate boycotted

Japanese government attempts to win approval for its plan to spend public money to bail out bankrupt housing loan companies or jusen got off to a bad start yesterday when opposition members walked out of the first parliamentary debate on the plan. Members of the main opposition New Frontier party on the lower house budget committee said they would boycott discussion until the government provided a more detailed justification of its proposal to spend more than Y1,000bn (£6.2bn) on the scheme. Gerard Baker, Tokyo ■ Japan's overseas aid will total Y1,799.8bn (£11.2bn) in the year from April, down 10.6 per cent – the first fall in nine years, according to Foreign Ministry data.

N Korea to let in nuclear teams

North Korea said yesterday it would let the International Atomic Energy Agency inspect all its declared nuclear facilities now that a US-led consortium has agreed to supply it with reactors. "The DPRK (North Korea) side notified the IAEA side that it would allow the IAEA's routine and ad hoc inspections of unfrozen nuclear facilities," the official Korean Central News Agency said. Reuter, Tokyo

Keidanren takes up policy dialogue personal income taxes more in political upheaval, during which the Keidanren's once line with international norms, pivotal influence has waned. anren official. to be financed by a rise in sales

The Keidanren, Japan's top business federation, yesterday convened its first ever formal policy talks with the government, in an attempt to restore

the influence of business in

Tokyo's tangled politics. Thirty senior officials led by Mr Shoichiro Toyoda, Keidanren's chairman, and his six vice-presidents, held consultation talks with Mr Taku Yamasaki, the ruling Liberal Democratic party's head of policy.

The dialogue, a Keidanren initiative, is the first in a series. While initially bland, it embodies the more open government approach advocated by political reformers. It marks

Mr Yamasaki underlined to his Keidanren audience the LDP's commitment to running

a stable government with its two coalition partners, rather than submitting to pressure for a quick election. He explained that the LDP would stick to its policy of using public money to bail out savers in bankrupt housing loan companies, now the subject of a heated parliamentary debate.

In return, Mr Tovoda stressed the Keidanren's desire for economic deregulation and its support for proposals to move the centre of government out of Tokyo. He also called for a break with three years of cuts to bring corporate and

tax and reductions in government spending.

The Keidanren intends to hold two to three such meetings per month with senior members of the LDP and other political parties, including the opposition New Frontier party, said an official. The next guest, next Tuesday, will be Mr Junichiro Koizami, a former posts and telecommunications minister. who unsuccessfully stood against Prime Minister Ryutaro Hashimoto for the LDP leadership last September.

"The aim is not so much to influence politicians as to let them know what we are thinking about and to find out what

they are thinking before they make proposals," said a Keid-The Keidanren was popu-

larly seen as one side of the "iron triangle" of business, politics and bureaucracy that conspired to run Japan, until it signalled its discontent with the old system in 1993 by ending the practice of channelling members' political donations, chiefly to the LDP. But there was no regular policy dialogue between Keidanren and government even when it was making political donations. Keidanren members started

discussing formal consultations with politicians soon after the retirement two years ago of the former chairman, Mr Gaishi Hiraiwa.

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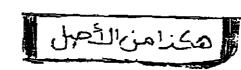
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AT A BEAUTY

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China airport spending ready for take-off | Manila reopens

China is accelerating the expansion of its airport network to cope with a continuing surge in passengers numbers, but has also placed a ceiling of 27 on new aircraft orders this

year will rise by 30 per cent in line with government attempts to upgrade facilities which, in the case of the big hubs of Beiling and Shanghai, are grossly inadequate.

Beijing airport, for example, is designed for 5m passengers a year, but is handling 12-15m ingers, Shanghai airport is similarly chaotic. Passenger traffic has been growing by about 20 per cent annually.
Mr Chen Guangyi, director

general of the Civil Aviation Administration of China, said Yn9bn (\$1.1bn) had been earmarked for spending on airport facilities in 1996 - the first year of the ninth five-year

The CAAC, which is responsible for overseeing the development of the country's domestic aviation, said it was tightening rules on purchases of new aircraft to increase effi-

ciency. China last year imported 21 new aircraft, but at the same time retired 11 older models, a net gain of 10 for the year. This was the smallest increase in numbers of imported passenger



A worker relaxes on the tarmac at Beijing airport. Most workers still use bicycles to get from one part of the airport to another

aircraft in any of the years of the eighth five-year plan

China, which is regarded as the world's fastest-growing market for new aircraft, has some 400 commercial jets in service, of which about 200 are

The US company estimates that sales of commercial aircraft in the country in the next two decades will be worth \$100hn, making it the third biggest aviation market in the

world after the US and Japan But for the moment, China's aviation authorities appear intent on consolidation after explosive growth in the early to mid-1990's as the country's economy grew rapidly. The number of airlines has been frozen at 32, and smaller carri-

China has also tightened operating procedures after a spate of disasters between

ers, many of which are loss-

making, are being encouraged

1992-1994 which raised quesfive-year plan the country would "do its best" to "recon-struct" 40 of the 132 airports in tions about aviation safety. The past year has been relatively trouble free.

The authorities are now turning their attention increasingly to improving airport facilities to cope with expected average annual passenger growth of 10 per cent for the next 20 years, compared with a forecast worldwide increase of

Mr Li Zhao, vice minister of

view that during the ninth

operation in China. This would involve upgrading passenger facilities, and also making improvements to runways and navigation aids. China would also seek by the

Numbers of new sircraft vear 2010 to satisfy internationally recognised standards for satellite naviga-tion for the whole country, which would also include its

China is devoting particular attention to Beljing airport. The terminal was completed in the early 1980s, before the full impact of economic reform and opening to the outside world was felt.

Work began last October on a new terminal with a capacity of 30m passengers a year. The terminal, to be completed in 1999, will cost between Yn7hn and Yngba.

China is also working on ambitious plans to relocate airports further from city areas, and build new ones. Guang-zhou airport may be moved. and in Shanghai a new international airport is planned for the Pudong special economic zone on the east bank of the

Hangpu river. Vice Minister Li expects the elrport reconstruction programme to cost Yn73bn during the ninth five-year plan, of which the government would provide about one-third with the balance coming from local government and foreign inves-

The amount earmarked for investment in airports to the end of the century is about three times that provided in the eighth five-year plan.

expected to be in service by the year 2000, according to Mr Li, will total 640, including 300 of

power plant bid

The Philippine government yesterday said it would reopen bidding for a 1,200MW gas-fired power plant which was can-called last June because of controversy over a long-running

The winning bidder, Cepa (Consolidated Electric Power Asia), the power subsidiary of Mr Gordon Wu's Hopewell Holdings in Hong Kong, was disqualified last year after including technology devel-oped by the US company estinghouse in its bid.

The technology was banned by the Philippine government owing to Westinghouse's alleged involvement in the payment of kickbacks to win the contract to build a \$2.1bn nuclear power station in 1982. The power station, sited on an earthquake faultline, has been mothballed since it was com-

pleted in 1986. The ban on Westinghouse technology was, however, lifted last September, three months after Cepa's disqualifi-cation, when the Philippine government struck a \$100m out-of-court settlement with

the US company.
The settlement involved the donation of two 501F gas turhines to the Philippines worth

In another twist, the Philip pine government recom mended that companies bidding for the 1,200MW contract in the rescheduled round on April 15 should include the previously banned 5017 turbines in their proposals. This, said

officials, would help lower "Ceps can join the (April) auction and even use the 501F technology they had previously offered to use for the project," said Mr Francisco Viray, the Philippine energy secretary,

Mr Viray added that the decision to go shead with the rebidding, in spite of Cepa's protests, was made "with the blessing" of President Fidel

Cepa, which had earlier threatened to sue the government if it went shead with the disqualification of its winning \$1.54bn bid, did not say yester day whether it would take part in the April bid.

The Hong Kong company was joined in last year's can-celled round by Enron Power Corp, the US company, and Marubeni Power, the Japanese corporation. The gas-fired power plant is expected to be completed

WORLD TRADE NEWS DIGEST

Russia acts on alcohol imports

Russia intends to auction import quotas for alcohol and tobacco products to stem the tide of cheap tax-free vodka from neighbouring countries. The move is particularly targeted at Ukraine, which has boosted vodka exports to Russia as a

result of tariff exemptions under a bilateral free trade treaty. Mr Yakov Urinson, deputy economics minister, said the level of imports for tobacco and alcohol products would be set at 20 per cent of the domestic market. Strong spirits, including vodka, would account for no more than 20 per cent of this alcohol quota, with the rest being allocated to wine. Importers would be able to buy the quotas at auctions arranged by commodities exchanges. No date for the introduction was

The move was welcomed by Russian alcohol producers, who said it would lead to a more "civilised" market. Russian distillers claimed tax exemptions enjoyed by Ukrainian exporters deprived Russia's treasury of Rbs10,000bn (\$2.1bn)

Historically, alcohol taxes have been a big source of income for the Russian budget. John Thornhill Moscow

India approves investment plans

The Indian government yesterday approved 82 proposals envisaging total foreign direct investment worth Rs14.2bn before dates for a general election are announced in the next : few weeks. The proposals include a \$60m-\$80m investment by Volvo, which plans to set up a wholly owned subsidiary for trucks in India.

General Motors of the US will invest Rs1.32bn to raise its stake in India to 100 per cent. The Delhi-based Escorts group will form a joint venture with Yamaha of Japan to develop a new generation of motorcycles, and Ericsson, the Swedish telecommunications giant, will establish a wholly owned subsidiary in India. The ministry of finance said the new proposals are expected to have an export projection of about Rs24.75bn over a five-year period. Shiroz Sidhoo, New Delhi

Italy raises China credit cover

Sace, Italy's export credit guarantee organisation, has agreed to raise its cover for China by L1,000hn (\$624m) to L5,000hn. The move follows strong pressure by exporters to raise cover for China in what is rapidly becoming an important but still risky market for Italian goods. At present Sace's exposure in China is L3,770hn with a previously set ceiling of L4,000hn.

This is one of the highest country exposures after Algeria and Russia. It is also more substantial cover than that provided by most of Italy's EU partners. Nevertheless, it only covers 57 per cent of current Italian exports to China, whereas the percentage is higher in both Algeria and Russia.

A Sace statement said the extra cover was necessary to accommodate the opportunities in China's forthcoming ninth five-year plan with special emphasis on industrial and automotive investments. The decision coincided with the formal opening of a joint venture plant of Iveco, Fiat's truck subsidiary, with Nankin Auto Works, with an initial annual production of 80,000 trucks. Robert Graham, Rom

Canada warns on farm jobs

If the US succeeds in reducing tariffs protecting Canada's dairy and poultry producers, more than 25,000 Canadian farm and food processing jobs would disappear by the year 2000, according to Ottawa economic consultants Informetrics in a study on the effects of US action against Canadian farm

The US has called for the establishment of a panel of experts under the North American Free Trade Agreement to eliminate the tariffs. Nafta requires tariffs between Canada, Mexico and the US to be phased out by 1998.

Canada argues that the dairy and poultry industries represent a special case and that it cannot allow the destruction of its domestic farm sector. An open border would prove the most serious threat to Quebec, where half of Canada's milk is produced.

Informetrica predicts that US surpluses would be dumped in Canada and take up to 20 per cent of the market. The adjustment period would last about five years and be severe. the study added. Robert Gibbens, Montreal

■ Canada's Bombardier has sold five 50 passenger Dash 8-300 aircraft worth around US\$70m to Brymon Airways, a British Airways feeder line, to replace five older models. Brymon already operates two Dash 8-300s.

Talisman and Guif Canada will start construction of the Corridor natural gas project in Indonesia soon after raising US\$450m in international financing.

Robert Gibbs

Outokumpu Copper, part of the Finnish mining and metals group, has taken an 85 per cent stake in a company that will spend \$30m on an air conditioning and refrigerator tube making plant in Zhongshan City, Guangdong, China. The plant, scheduled to start up later this year, will produce 10,000 : tonnes of tube annually. Production technology and core equipment is designed by Outokumpu which will also appoint Kenneth Gooding, Mining Corresponde

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Zedillo seeks to cut power at the top Cellphone chief wants a refund

Mexico's president tells Stephen Fidler of his wish for political change without weakness

President Ernesto Zedillo of Mexico yesterday emphasised, in the clearest terms, his determination to reduce the overwhelming power of the presidential office.

You don't need a king or a high priest deciding what poor mortals should do," he said, on a visit to the Financial Times, in London yester-

The Mexican political system described five years ago by the novel-ist Mario Vargas Llosa as the perfect dictatorship - is one of the most centralised in the world. Mr Zedillo said that, although the power of the presidency under the constitution was not excessive, the office "had accumulated too much *de facto* power".

Reducing this power to its constitu-tional limits was "my contribution to building the new democracy that Mexico needs. If we want to have a more powerful Congress, we somehow need to have more moderation in the power of the presidency."

It was a mistake to conclude that this indicated a weak presidency. "It's basically a constitutional exercise of power - and that's what Mexico

Denying that this would increase uncertainty in a country where a financial crisis had led the economy to shrink by 7 per cent last year, the president said the government's emphasis on the rule of law and a new political consensus on democratic practice and institutions would help make political change smooth.



Ernesto Zedillo: "You don't need a king or a high priest"

This consensus, he said, was emerging in intense all-party talks. "We are hoping that, in the next congressional period that starts in the middle of March, we will already have some agreements to be translated into legislative action.

Some issues might require modification of the constitution, but the central issues related to the financing of political parties and to guarantees of

three-pronged reform of the Mexican state, which he was pursuing. The other elements were a "more balanced relationship" between the executive, judiciary and legislature, as well as decentralisation of the state. Mr Zedillo said this would also

require changes in his ruling Institu-tional Revolutionary Party (PRI). "The PRI should become a much more competitive party for the new condiall-party access to the media. tions and therefore it shou This electoral reform was part of a a serious internal reform. tions and therefore it should carry out

should establish very clearly and transparently its method of selection for candidates", including the election next year for the mayoralty of Mexico City. Previously all senior candida-tures in the ruling party were effec-tively in the president's gift.

Mr Zedillo also said: His government had moved ahead with structural economic reforms, despite the short-run emergency. These included railway privatisation, permitting private investment in natural gas, opening telecommunications to competition, continuing privatisa-tion of ports, airport privatisation, and further efforts to sell petrochemical plants of the state oil monopoly,

• The known cost of programmes to support the banking system, and fix the problems of privately financed highways, was estimated at slightly more than 5 per cent of 1994 GDP in present value terms, to be paid over 30 years. Mr Zedillo said "too much publicity" had been given to govern ment efforts to broker debt rescheduling efforts between banks and some 80 to 100 larger companies with exces-

 Better supervision, more transparent accounting rules and new inves-tors in the banking system should help ensure that the banking crisis of last year would not recur.

The president denied that the Mexican government's social security and pension reform proposals had been

"The party's next convention watered down by Congress. He said the matter of cuiting the administrative costs of the large and expensive public social security administration did not need to be part of the law. Rules were now being established to allow the system to begin operating next year, and these should begin to have other important benefits.

"What we have done works in the direction of obtaining higher produc-tivity... The [social security] institution will have to do whatever is neces sary to live up to the standards of productivity implicit in that legisla-

On the North American Free Trade Agreement and relations with the US, the president pointed out that Mexico's exports to the US had risen 50 per cent in two years. He said the US had benefited also: "Back in the 1980s, when Mexico had a financial crisis, our imports from them fell in one year by 60 per cent. This time around, thanks to Nafta, our imports Reparding Mexican relations with

the European Union, Mr Zedillo said he was especially interested in negotiating a free trade accord. "We'd like to see, even if it is not called a free trade agreement, something that implies a very substantial progressive liberalisation of our reciprocal trade. We'd like to achieve that in just one negotiation ... although the rules could be put into effect over a period of time."

By Leslie Crawford in Mexico City Mr Carlos Peralta, owner of

the Mexican mobile telephor company Insacell, a listed company with Bell Atlantic as a US partner, had an embarrassing confession to make this week. He was at pains to explain why he had "sutrusted" \$50m to Mr Raúl Salinas, the elder brother of Mr Carlos Salinas, Mexico's former president.

Mr Peralta is trying to recoup his money from Mr Ranl Salinas's bank accounts in Switzerland. But Mr Salinas is in jail in Mexico and faces charges of murder and illicit enrichment. His accounts have been frozen while Swiss prosecutors investigate the source of his wealth.

According to Mr Peralta, Mr Salinas invited him, in 1994, to "venture capital fund" which would invest in unspecified projects. It was to be co-ordinated and managed by Mr Salinas, a civil servant with no known expertise in

Based OIL friendship which go back more than 30 years", Mr Peralta said, he chipped in with \$50m of his own personal fortune,

which Mr Salinas deposited in personal bank accounts pending the creation of the venture capital fund.

Mr Peralta denied that the investment was tied in any way to a cellular telephone concession given to lusaceli during Mr Carlos Salmas's term of office, which ended in 1994.

The businessman's account of events may bolster Mr Raul Salinas's defence against accusations of illicit accusations of enrichment in Mexico.

Mr Peralta said that 20 other prominent businessmen, industrialists and bankers had been invited by Mr Salinas to take part in his venture capital fund.

Mr Peralta said he thought that Mr Salinas had approached Mr Carlos Hank Rhon, son of a well-known ruling party politician, and Mr Roberto González, the chairman of Grupo Industrial Maseca, which dominates the market for the flour that goes into the maize tortillas that feed many Mexicans.

denied Grupo allegations, while Grupo Financiero Interacciones, which Mr Hank Rhon heads, declined to comment.

Colombia political crisis may bring economic woes

By Sarita Kendall in Bogota

Business leaders in Colombia say that, if the country's political crisis drags on, it could begin to inflict severe eco-

So far, the upheaval triggered by allegations that President Ernesto Samper of Colombia knew about contributions by drug traffickers to his 1994 election campaign has yet to have profound effects on the

The Colombian peso has suffered some selling, and active central bank intervention was needed to keep it within its established band. However, the government says foreign reserves - \$8.3bn on January 12 – are sufficient to maintain. exchange rate stability.

believe the only way to avoid a casts yet," said Mr Guillermo not overwhelming, it's a ques-long, debilitating process is for Perry, finance minister. not overwhelming, it's a ques-tion of deficits of 1 or 2 per the president to step aside. The economy may be robust, having grown 5.3 per cent last year, but the damage to confidence, investment and production could be disastrous, agree

analysts. The fundamental economic variables are still in order," said Mr Juan Manuel Santos, a former trade minister. "The Colombian economy offers good opportunities for the long term, despite the current situation. But a lot of people are postponing investment deci-

The government's growth forecast for 1996 is 4.5 to 5 per cent, with most private sector groups plumping for the lower figure. "We don't think we have reason to revise our fore-

"People are worried that the political uncertainty could continue but, if there is a prompt solution, the effects on the economy won't be serious." From the government's point of view, a rapid solution could be the definition of the steps to be followed in any further investigation of the allegations

against the president. However, there are concerns about underlying problems such as the fiscal deficit and inflation, particularly given continued weakness in government. "The last government increased spending and so has this one, but you can't go on indefinitely," said Mr Rudolf Hommes, finance minister in the previous administration,

cent of GDP, but it could build

into a serious problem." Tax reforms approved by Congress at the end of 1995 have not resolved the issue, says Mr Perry, and spending cuts are needed. In normal circumstances, the planned cuts might have been feasible; for a weak administration needing to buy popular support, they seem unrealistic to many.

The government will be proposing legislation to slow the rate of transfer of financial resources to municipalities and departments. Devolution has been wasteful, in part because local authorities cannot assume responsibility for services as rapidly as they receive the money.

The government brought

annual inflation down to 19.5 per cent last year, and this year's target is 17 per cent. But the January figure, fuelled by end-of-year price increases and an acceleration in devaluation, is likely to be over 2 per cent -

not an encouraging start.
International prices of coffee, the traditional bulwark of the Colombian economy, have begun to edge up, but production costs are very high and farmers have debts they cannot clear. On the other hand, oil and coal earnings are increasing, while international reserves cover five to six months of imports.

Some exports - particularly flowers - could suffer badly if the US decides to decertify Colombia's anti-drug efforts and the country loses trade and other privileges.

The privatisation programme failed to take off in 1995 but, in the midst of political confusion last week, the US-based company Enron bought the Colombian state oil corporation's holdings in the Promigas gas transportation company for just over \$100m. Sales of two banks, power utilities and long-distance telephone services, already delayed, are now expected to go ahead this year.

Portfolio investors will also be watching the stock market. Prices have been falling gradually since the end of 1994 and, for the present, local brokers are concentrating on fixed-interest, short-term paper. But shares are now low-priced and, once the uncertainty is over, even high interest rates seem unlikely to deter buyers.

AMERICAN NEWS DIGEST

Bouchard vows to tackle finance

Mr Lucien Bouchard, sworn in as Quebec's premier on Monday, said his priority was to get the French-speaking province's finances and economy in order. In his inaugural address, he mentioned sovereignty only once and in later interviews said another referendum on the province's status would be delayed until Quebec's financial crisis was solved and the timing was more propitious.

Mr Bouchard, who was acclaimed leader of the ruling separatist Parti Québécois on Saturday, succeeds Mr Jacques Parizeau, who is retiring following the province's October referendum, which voted narrowly against independence. Mr Bouchard, a charismatic politician credited with bringing the pro-independence forces within an ace of success, formerly led

the federal separatist wing, the Bloc Québécois.

Mr Bouchard appointed political veteran Mr Bernard Landry as minister of finance with responsibility for reviving the province's moribund economy. Mr Serge Menard, a young energetic lawyer, was moved from the public security portfolio to minister of state for Montreal, with the task of working with the federal and other governments to help the city's

Dole comes third in Alaska

Senator Bob Dole finished a poor third yesterday behind Mr Pat Buchanan and Mr Steve Forbes in a non-binding presidential "straw poll" of about 10,000 Republican voters in Alaska. The conservative polemicist won with 33 per cent, closely followed by the magazine publisher with 31 per cent and Mr Dole, the majority leader, with only 17 per cent.

The Dole campaign dismissed the significance of the result, saying the senator had made no recent visits to the state. He had, however, secured the endorsement of most of the local Republican hierarchy, although that might not count for much in Alaska, which in recent years has been attracted to libertarian ideas. But the result comes at a worrying time for Mr Dole, whose once sure hold on the Republican nomination has slipped, mostly in the face of the challenge from Mr Forbes. One poll in New Hampshire, home of the first primary proper on February 20, has Mr Forbes ahead, though another gives a decided edge to Mr Dole. Jurek Martin, Washington

Spy satellite agency 'loses' \$2bn

The secret US government agency that builds spy satellites lost track of more than \$2bn (£1.33bn) in classified money, mostly because of its own secrecy, the New York Times reported. The newspaper quoted military and intelligence officials as saying the amount was larger than anyone had known and critics of the agency, the National Reconnaissance Office, said that the money was hidden and developed secretly into a "slush fund". A team of auditors sent by Mr John Deutch, Director of Central Intelligence, found the money during investigations that were almost completed, the report said. The agency secretly spent \$300m on a headquarters near

Washington, an amount the Senate intelligence committee said in 1994 was a shock to discover. It was set up in 1960 but its existence was officially denied until 1992. Reuter, New York

US banks win Peru telecom deal

JP Morgan and Merrill Lynch, the US investment banks, were yesterday selected to manage the sale of Peru's 29 per cent holding in Telefonica del Peru, the former state-owned telecom munications company acquired in February 1994 by Telefonica de España. The total remaining holding is valued in the region of \$1.5bn. JP Morgan and Merrill will handle the international public offering, which is likely to represent up to 80 per cent of this total. They will charge 2.42 per cent on the total raised. The remaining shares will be available to Peruvian institutional and private investors.

The Landmark London INDIVIDUAL As YOU ARE It doesn't matter expect to be treated by your friends and colleagues – as an individual. to us how you get So while our staff will always be friendly here, as long as and helpful, they'll never be intrusive. you feel you've In terms of service, individuality arrived. translates into choice. From the range nucipation, as the saying has it, of rooms we offer to the range of drinks in our Cellars Bar. Except, that is, when your final Even in the way you dine. (With appropriate formality in our gourmet Here, at last, is a five star hotel that Dining Room. Or, more informally, in lives up to all your expectations Built in 1899, and impeccably restored in 1993, it has all the visual pomp and circumstance of a grand It's a relaxing and thoroughly pleasant London hotel. But, in terms of place to stay. Which perhaps is not service, none of the pomposity. so surprising. When you're Instead, we treat you, SUMMIT FOR INFORMATION & RESERVATIONS, SEE A TRAVEL AGENT OR CALL US DIRECT ON 0171-031 8288 QUOTING REF FT1 THE LANDWARK LONDON, 222 MARYLEBONE ROAD, LONDON NWI 6JQ, ENGLAND

US sees threat to Gulf shipping from Iran missiles

Iran has tested and was about to deploy a new Chinese-made anti-ship cruise missile that represents a potential increased threat to oil shipping in the Gulf, the US Navy commander in the region said yesterday, Reuter reports from Washington.

Vice Admiral Scott Redd, chief of US Navy forces in the Gulf, said Iran test-fired a Chinese C-802 anti-ship missile on January 6, from a ship in the Arabian Sea just outside the Gulf. He said the missile could be mounted on Iran's Chinese-made Houdong fast patrol boats.

The admiral called the C-802, a substantial advance over older Chinese-made Silkworm anti-ship cruise missiles used by Iran in its Gulf war with Iraq nearly a decade ago.
US defence officials said the

Pentagon had not seen any sudden recent increase in Iraq's military threat to Kuwait and other moderate Gulf states.
"This is a

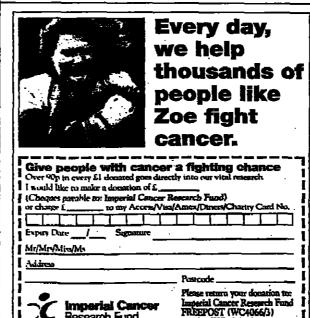
to shipping," the admiral said, noting that the mobile, radar-guided missile had a range of 60 miles. The missile was "in the deployment stage," he said. Admiral Redd said

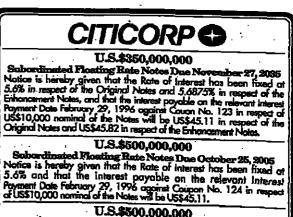
since 1994. Tehran had increased its naval strength with two Soviet-made Kilo Class attack submarines and five Houdong boats. Washington was closely watching Iran's efforts to increase its influence in the Gulf, he said.

He said Tehran had four shore bases from which to launch anti-ship missiles and was expected to buy a third Kilo diesel submarine and perhaps five more Houdongs this year. However, US defence officials, responding to a New

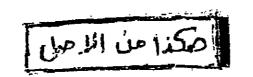
York Times report yesterday on a continuing US military buildup in the Gulf, said the Pentagon had seen no sudden added threat from Iraq in recent months. They said 12 US military cargo ships carrying enough heavy arms and other emergency equipment for 20,000 Marines and Army troops had beensent to the Gulf last August

"We have not seen a sudden "This is a new increase in threat," said Mr dimension... another Ken Bacon, of the US defence dimension of the Iranian threat department. The US led a military coalition that defeated Iraqi President Saddam Hussein's forces in the 1991 Gulf War, and has over 20,000 miltary personnel in the Gulf region today.





U.S.\$500,000,000 Subordinated Hosting Rate Notes Due Jamery 30, 1998
Notice is hereby given that the Rate of Interest has been fixed at 5.575% and that the interest poyable on the relevant Interest Payment Date February 29, 1996 against Coupon No. 121 in respect of US\$10,000 nominal of the Notes will be US\$44.91. January 31, 1996, London By: Calbank, N.A. (Issuer Services), Agent Bank CTTBANCO



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研究學者

Chancellor cautious on Emu pledge

and Robert Chote

Mr Kenneth Clarke, chancellor of the exchequer, cautioned yesterday against any pre-election commitment to hold a referendum about the single European currency.

Mr Clarke conspicuously disagreed with fellow ministers who have been trying to mask divisions on Europe in the governing Conservative party by predicting that the European Union will soon postpone or abandon monetary union.

Mr Clarke said in an inter-

view with the Financial Times that he "personally would leave whether or not people want a referendum to the time if and when monetary union is launched. He is resisting many cabinet colleagues who want the prime minister to pledge as part of the Conservatives' general election cam-paign that there would be a referendum on sterling joining a single currency if the cabinet decided to join. They believe this is the best way of bringing a long-term truce to the Conservative party.

As for the launch of monetary union, Mr Clarke said: "I actually don't think anyone knows whether it will go ahead on 1 Jan 1999". He added that the government should not get "wildly excited" about specula-

tion on the start date. He warned other EU states not to relax the convergence criteria for monetary union. saying that Britain would not join if that were done. But he was dismissive of suggestions from other British ministers that relaxation, which would require a change in the Maas-tricht treaty, was likely.

"I have been to more meetings on economic and monetary union than all my col-

Mr Douglas Hurd, the former foreign secretary, has joined the growing list of European statesman calling for a

postponement of the January 1999 starting date for a single currency. Mr Hurd calls on Germany to take the initiative in rewriting the Maastricht timetable for economic and monetary union. He acknowledges that Britain cannot request a postpone-ment because it has no commitment to join. Other European governments fear that seeking a delay might amount to a confession of weakness. "Someone has to face reality," Mr Hurd adds.

Monetary union, Page 13

I have not ever heard anyone suggest any treaty changes." Mr Clarke clings to old-style Conservative beliefs in the importance of spending on schools and the state health service. As for the US model of a developed economy where state spending is proportionately lower than in the UK, Mr Clarke noted that the price the US paid for low public spending was a healthcare system that absorbed one dollar in every five. "If you have to move to that sort of crisis-ridden private sector healthcare system in order to get your public sector spending down then I'm not in favour of it". Mr Tim Eggar, the energy minister, yesterday became the 52nd MP in the Conservative party to announce that he will not stand for parliament at the

next general election. He is known to have been deeply uneasy at what he thought was the petty nationalist drift of the party, although he denied that this was a reason for his decision to

Irish peace prospects recover ground

Prospects for a consensus on elections to a new Northern ireland convention appeared to increase last night after talks between Mr John Major, the British prime minister, and Mr John Hume, leader of the main nationalist party, the Social Democratic and Labour party. Mr Hume emerged from a 90minute meeting at Westminster, striking a surprisingly optimistic note which suggested that he had received hints from the prime minister

of concessions on the details of a future convention. hew, chief Northern Ireland minister in the British govern-Mr Hume reacted furiously

to Mr Major's announcement last Wednesday, when responding to the report of the Mitchell commission on paramilitary arms, that he was considering elections to a forum for allparty negotiations. His anger was echoed by the Irish gov-ernment as well as by Sinn Féin, the political wing of the Irish Republican Army.

Mr Gerry Adams, Sinn Fein president, remained unmoved terday with Sir Patrick May-

Mr Hume - who potentially has the most to lose in an election for which Sinn Fein would he able to call upon its extensive US-led financial donations gave no indication last night that Mr Major had changed his

Mr Major's pledge to push through early legislation paving the way for elections to a convention pushed relations with the Irish government to a low ebb. Mr Dick Spring, dep-uty prime minister of the

Republic of Ireland, is expected to use a meeting with Sir Patrick tomorrow to voice his gov-

ernment's disquiet Meanwhile, the murder of a

UK NEWS DIGEST

Business warned

against rushing

Mr John Bridgeman, director-general of fair trading, warned companies against rushing into takeovers, saying that they rarely generated the hoped-for benefits. He said in his first big

speech since taking office last year that the costs of many mergers frequently outweighed the gains. He also expressed particular concern about bids in the utilities sector, which has

seen several recent takeovers. He said management skills were

He said this concern had last year led him to request Mr Ian

ang, the trade and industry secretary, to refer to the Monopo-

lies and Mergers Commission the bid by North West Water for Norweb, the electricity company. Mr Lang rejected the request

and cleared the deal. Mr Bridgeman was speaking at a time when City interest in bids and deals is running high in the wake of Granada's successful £3.9bn (\$5.9bn) acquisition of

Forte, the hotels group. Mr Bridgeman said that, while merg-

ers could improve the efficiency of the economy by transfer-

ring assets from ineffective to effective management, this aim was not always achieved. Stefan Wagstyl, Industrial Editor

Rail acquisition probe ruled out

The trade and industry department said it would not refer the

acquisition of European Passenger Services, operator of Euro-star trains, by the London & Continental Railways consortium

to the Monopolies and Mergers Commission. The consortium which wins the bidding for the £3bn (\$4.53bn) Channel tunnel high-speed rail link between England and France would take

over EPS as part of the project. The transport department said

monopolies clearance was routine and did not mean that L&C had won the bidding. Eurorail, the rival bidder, said clearance

of the L&C bid did not mean its own offer had been rejected.

William Halcrow, National Express, Virgin Group and S.G. Warburg. Eurorail comprises BICC, HSBC Holdings, National

• Managers at Chiltern Railways have teamed up with John Laing, the construction company, and 3i, the development capital group, to bid for the passenger train franchise of their line - the minth to be offered for sale. The bidding group, M40

Trains, has placed a notice in the European Union's Official Journal seeking offers for between six and 30 diesel powered

coaches. Chiltern Trains operates one of the lines between

Call for drug service changes

Charles Batchelor, Transport Correspondent

Westminster Bank, Seeboard and Trafalgar House.

The L&C consortium consists of Ove Arup, Bechtel, Sir

into takeovers

not readily transferred from one sector to another.

republican terrorist chief in west Belfast raised fears of renewed bloodshed in Northern Ireland. Mr Gino Gallagher, chief of staff of the Irish National Liberation Army (INLA), a breakaway group, was gunned down inside a social security office. The police said there were "strong indications" that the murder was part of an internal INLA fend.

to £163m in 1994-95. This was

partly a result of rising legal

costs such as insurance cover.

A figure of £39m listed as

other creditors" includes pro-

visions for future legal costs

the firms are probably finely

"This helps to show that all

not covered by insurance.

Accountance: KPMG disclosures end more than a century of secrecy Firm issues first detailed results

By Jim Kelly, **Accountancy Correspondent**

KPMG today becomes the first large accountancy firm in the UK to publish company-style financial results, thus ending more than a century of secrecy surrounding the big partner-

ships.
The firm, which has 8,000 staff and 600 partners, is unlikely to be followed quickly by its competitors among the so-called Big Six firms.

Mr Colin Sharman, senior partner with KPMG, said he felt "very comfortable" as the head of the only big accountancy firm revealing so much to clients, staff and the public. KPMG has moved to full disclosure because it would have had to reveal financial results for its audit business next year as it is turning it into a limited liability company. The firm decided that it

should disclose results for the whole business in the UK and hopes financial transparency will give it a competitive advantage in a tight market. For the year to September 1995 KPMG earned gross fees of £588m - up 6.8 per cent on the previous year. It distributed £106m of this to partners around £18m as "proprietorAccounting at the top KPMG pertners and staff remuneration Band 1984 (1986 C) stables combes 25,601 - 50,000 \$ \$5 } 2 12 75,001 - 100,000 182 125,001 - 150,000 3 75 87 175,901 280,000 25 17

225,001 - 250,000 16 12 275,001 - 300,000 375,001 = 400,000 425,001 ~ 450,000

ship profit" above a notional for the sector. Significantly executive salary. This gave the firm's partners an average remuneration, taking into 1993-94. The firm's senior partaccount pensions and what is in effect a shareholders' return, of £180,000 (\$272,000). The proprietorship profit figure, which was 3 per cent of increase in non-staff and part-the gross fees, is the key one ner costs from £143m in 1993-94

poised." commented a senior partner with another big accountancy firm. This impres sion is confirmed by the size of the business' capital base at £81.59m - £45m of which is partners' capital and the rest undistributed earnings. While the figure may look low it p profit 2176,753 2739,753

this return was 28 per cent lower than it had been in ner said there were "severe pressures on margins". One of the factors which dented profitability was an

caused little surprise among the rest of the Big Six. The accounts do reveal tight control on borrowings, creditors and work in progress. "This is by and large a well managed firm," said a senior partner with another firm. One slight surprise was a £19.5m

provision for empty properties where KPMG holds the lease. When KPMG decided last year to meet the threat of rising litigation costs and help promote itself as the leading audit firm, it looked likely that other big firms would follow suit. Now they look more likely to register off-shore.

Institute of Education, and an

adviser to Mr Tony Blair, the

Labour leader. Most compre-hensives practise "setting" -

dividing children on ability in

different subjects. Some use

"streams", where children are

divided on ability into the

same classes for all subjects.

Schools which attempt to make

each class mixed ability are in

treat all children equally and

give them equality of opportu-nity," says Mr John Dunford,

the head of the highly success

ful Durham Johnston compre-

hensive in the northern

England city of Durham.
"Treating all children the same

would not be treating them

equally - some need more

pressure than others; some

Even in Southwark, where

many secondary schools once

rejected any form of selection,

schools now recognise that

children with different abilities

As Mr Mott says: "I do think

the conventional wisdoms

about setting and streaming

are being set aside. Our schools now set. The task they

face in terms of breadth of abil-

ity is such that it's unreason-

able not to. A very good

teacher might be able to han-dle all abilities in a class, but

it's unreasonable to establish a

system which is dependent for

should be treated differently.

need more support.

the minority, he says.

16.2 18.9 22.3 25.1

increasing addiction

properly addressing the issue of drug and alcohol abuse in elicitied addicts aged under 21 (000) young people and lacks the specialist treatment and advisory services required to deal with the problem, says the service's Health Advisory Service. The non-departmental public body warns that the availability of suitable services was "poorly planned and poorly co-ordinated" in spite of steady growth in the number of younger drug and alco-hol abusers. It condemns "a lack of leadership" from statutory health agencies and calls for new educational pro-

The state health service is not

grammes to highlight the dangers of drug use and greater collaboration between different agencies. Mark Suzman, Public Policy Staff

'Mad cow' fears hit beef sales

Consumers are still shunning beef because of the scare over "mad cow disease", with latest figures showing a 17 per cent drop in retail sales in the month to January 20. The figures from the Meat and Livestock Commission conflict with its earlier predictions of a recovery from the sharp drop in sales in the final two months of last year. Year-on-year sales fell by over 15 per cent between mid-November and mid-December and by 5 per cent in the preceding four weeks. Earlier this month, the commission launched full-page advertisements in national newspapers, in collaboration with leading supermar kets, assuring people beef was safe to eat.

Alison Maitland, Resources Staff

Weather office to cut iobs

The Meteorological Office wants to cut 430 jobs - about 20 per cent of its staff - over the next five years. Other employees may be asked to relocate as more functions are centralised at the head office at Bracknell about 60km west of London, Jobs in junior grades are believed to be particularly at risk because of cost-cutting and changes in technology. The defence minis try provides about 60 per cent of the Met Office's £150m (\$225m) annual budget.

Forget the classless society

Forget the classless society. If you want to be rich, choose wealthy parents. If you start life at the hottom, bad luck. So conclude researchers at the Institute for Fiscal Studies in an investigation of the persistence of poverty and affluence between generations. The study, one of the first to examine earnings at various stages of life, is based on the UK's National Child Development Survey, which tracks the fortunes of a sample of 20,000 people born in 1958. At the bottom end, taking two fathers who a generation ago earned £10,000 (\$15,100) and £20,000 a year in today's prices, the son of the poorer father grew up to earn an average of £7,000 a year less than the son of the richer father. Andrew Adomis, London

leagues put together and so far 'Gulf War Syndrome'

By Bernard Gray,

to be

The government is to investigate "Gulf War Syndrome", a series of medical complaints suffered by veterans of the 1991 conflict.

investigated

The decision comes after stinging criticism last year from the House of Commons defence committee which accused the defence ministry of arrogance and failing to act quickly to respond to veterans concerns. The ministry has also been criticised by veterans for falling to match the willingness of US authorities to investigate the problem.

Vice Admiral Tony Revell, the British ministry's surgeon general, said yesterday that it was launching full-scale epide-miological studies to determine whether forces serving in the Gulf had suffered statistically abnormal health problems since the war. A team of seven senior doctors would also study claims by veterans that their children had suffered an abnormally high rate of serious birth defects. The ministry would work closely with the US to avoid duplicat-

ing research effort. Mr Nicholas Soames, the armed forces minister, strongly rejected accusations that the ministry was responding to pressure late. Vice Admiral Revell said the ministry had examined 360 veterans and had failed to find a single source of their complaints.

But he admitted that those examined were genuinely ill, and that it was still possible for the variety of different complaints reported to have originated from a cocktail of vacrinations.

Veterans have claimed that the mix of up to 10 different vaccinations given at once, combined with drugs taken by soldiers to protect themselves against nerve gas, were untried in such large combinations and are responsible for their health problems. The ministry thought reactions to the cocktail were unlikely to be responsible for any prob-

Of the forces serving in the Gulf, only British. US and Canadian troops were given the anti-nerve gas pills, and these veterans have reported most of the health problems. Admiral Revell said that the US had so far examined 17,000 veterans who had complaints, and that no single syndrome had emerged in those cases

Education Political furore highlights escape routes from poorly performing schools

Agonising choice often confronts parents

poverty contrasting sharply with the wealth of the financial quarter opposite. That poverty means that parents in the borough face an agonising choice when picking a secondary school for their children.

They have three options: send the child to one of the area's poorly performing comprehensive schools (all pupils accepted irrespective of ability); opt for a grammar school (children selected according to academic ability) in a neighbouring borough, probably entailing long journeys for their children; or pay heavy fees for a place in an independent school outside the state

education service. Thanks to the decision of Ms. Harriet Harman, a senior member of the opposition Labour party, to choose the second option, their dilemmas have entered national debate. Selective schools are seen by many in the party as bastions of privilege, and its deep distaste for them almost cost Ms Harman her job as the party's leading voice on health issues in the House of Commons.

Comprehensive schools were invented by the Labour governments of the 1960s although most comprehensives were created when Lady Thatcher, who was later to become prime minister, was Conservative education secre-

Underwriters welcome low claims likels

University vice-chancellors are set to end free represents the heads of all UK univers. The inner London borough of Southwark faces the City across the River Thames, its government capital funding cuts are not find long-term funding from somewhere." reversed. The vice-chancellors' central policy board agreed the move but stressed it would be made only "extremely reluctantly". Students reacted angrily to the announcement. Funding for universities will fall by 9.4 per cent between the present financial year and 1998-99, but the greatest concern has been caused by the cut to the universities' capital budget, announced in November's Budget, from 2350m to £243m. Ms Diana Warwick, chief executive of the Commit-tee of Vice-chancellors and Principals, which per cent increase in student numbers."

tary between 1970 and 1974. Many Labour MPs support them strongly on principle. Ms Harman and her husband, a senior trade union official. rejected the comprehensive schools in Southwark where they live even though the municipal authority in the ancient borough is dominated by Labour councillors. Instead. they decided to send their son to St Olave's, a grammar school about 15km away which has coted out of municipal con-

Other parents in Southwark feel strongly that they have a right to opt out of the bor-ough's schools. "I think my child has a total right not to have to sit next to a skinhead," says one local resident. It is not merely a question of social snobbery. Southwark's exam results are among the poorest in the country: it finished 105th out of the 108 education authorities in England last

Southwark is one of the most economically deprived parts of London, and more than half the pupils at the borough's schools qualify for free meals. But Mr Gordon Mott, Southwark's education director, refuses to use such factors as an excuse. "The evidence is there that we could do better, and we must try to do that."

lege, Alleyn's and James Allen's Girls' School.

other London boroughs.

represents the heads of all UK universities, said: "As responsible managers, if the govern-

ment will not provide the resources, we have to

But Mr John Major, the prime minister, said

in the House of Commons: "I see no need for

universities to introduce top-up fees. They cer-

tainly cannot complain about how they have

been treated by the government. Between 1989-90 and 1994-95 university funding rose by

23 per cent over and above inflation." But the

the resources for teaching each student fell by

nittee retorted that "the real issue is that

He points instead to the borough's almost unique position in having within its borders three of London's best-known and most successful independent schools - Dulwich Col-

Dulwich College receives more in subsidies from the government's Assisted Places Scheme for children from low income families than any other school in the country. Under this scheme, which would be abolished by a Labour government, academically able children are subsidised to go to independent selective schools. an escape denied to them in They also have the option of following Ms Harman's strat-

egy by sending their children to one of the two grammar schools in neighbouring Bromley. The flow of middle-class children out of schools in boroughs such as Southwark helps to depress the performance of their comprehensives, according to Mr Tony

out of a total of about 4,000 English state schools. But selection within schools is widely practised according

Cobb, director of studies at Leicester University's Centre for the Study of Comprehensive Schools. Nationwide comprehensives are by far the most common form of secondary education. Only 7 per cent of children are educated privately, while only 160 grammar schools remain

to Professor Michael Barber of the University of London's

its successful delivery on the presumption that everyone will be excellent. It doesn't work Capital idea to

revamp tourism

London's year-long search for a brand identity to spearhead a new £8m (\$12.08m) tourism marketing drive ended yesterday when the new logo was

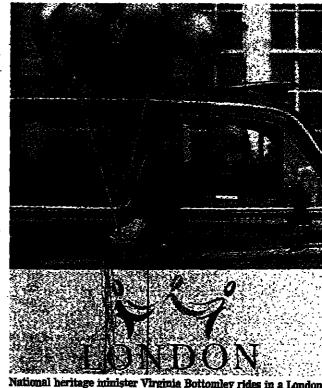
The London Tourist Board, which is leading the campaign to promote London as a tourist destination said the new image, designed by Londonbased Beresfords at a cost of about £200,000, would project a more contemporary and vibrant image of the city" instead of traditional images of heritage and pageantry.

Research commissioned by the London Tourist Board showed London was seen as a "living museum" with a lack of awareness of its modern side. "Too many people have an out-dated image of London and

yet it is at the cutting edge of fashion, music, nightlife and eating out," said Mr Colin Hobbs, managing director of London Tourist Board. "It is precisely these elements that need far greater emphasis, particularly in targeting the new and younger fast-growing markets across the world.

The campaign to promote London as the gateway to Britain is aimed at reversing the city's loss of share in the world tourism market. Between 1985 and 1994, spending by visitors to the capital grew at 5.6 per cent - less than balf the world average of 12 per cent.

The Department of National Heritage and the British Tourist Authority have each put in £2m over two years towards the campaign, with the other sam to be matched from the



National heritage ininister Virginia Bottomley rides in a London taxi to launch the capital's "more vibrant image

Insurers warn of threat to profits results, "may well prove short-lived...if some irresponsible

Fears of a marked downturn in the international insurance industry intensified yesterday with a gloomy report by London-based marine insurers warning that excess competition is threatening profitability, our Insurance Correspondent writes. The Institute of London

Underwriters said recent improvements in insurers'

underwriters do not halt their

Mr Len Campbell, who is standing down as ILU chairman, said: "Underwriters in London and other markets have weakened their resolve to avoid the disastrous competition that caused such havoc in

our industry only five years ago. If current trends persist, profitability may disappear lemming-like rush to the cliff- and reserves wither for all but

The ILU membership comprises large international insurance companies underwriting marine, aviation and transport business which together form a rival market to

Leicester ın green

eicester, a typical British industrial town, seems an unlikely setting for ambitious initiatives under Agenda 21 – the programme of environmental action agreed by presidents and prime ministers at the Rio Earth Summit in 1992.

But the programme set out environmental goals for local as well as national governments – and a target date of 1996 to implement them.

Leicester, the UK's self-proclaimed "environment city" – and the only UK city represented at the Rio conformation of the city represented at the Rio conformation. ference - says it is leading the way.

We call it Blueprint for Leicester, which is our version of local agenda 21," says Anna Dodd, head of the environment team at Leicester. The summary findings - covering everything from green shopping and employment to crime preven-tion and traffic - are already published, and the council hopes to

publish the full plan shortly.

Leicester is only one of many councils – perhaps two thirds of the UK's local authorities - which claim to be on course to implement local agenda 21 this year. However, according to Michael Ashley, environment under-secretary at the Association of District Councillors. many do not understand what local agenda 21 actually means.

"Most local authorities take it to mean a set of environmental poli-cies - general environmental management, greening policies, planting trees and flowers." says Ashley.
"That is a misunderstanding."

Ashley says local agenda 21 is "a planning process, but a participatory planning process". It requires councils to plan policies on issues such as jobs, homes and transport in a manner which takes into account their impact on the local

Leicester, which adopted the environment city title in 1990 as "a challenge rather than an accolade", drew on advice from a pre-existing network of working groups - drawn from city and county council, private sector, education and the voluntary sector - and its arm's-length

However, the crux of Leicester's initiative was a public consultation exercise to involve local residents for political as well as planning reasons. Says Councillor Mary Dray-cott: "Traffic needs to be reduced in the city centre - but shop owners might not be very supportive if they think this will damage the city centre economy." Involving people in

planning allays such fears, she says. Even in Leicester - where environmental issues are well publicised – the team battled apathy. Only one in three people knew the names of their local councillors. says Dodd, and only 1 per cent of questionnaires sent out with the local newspaper were returned.

However, the council was able to get a sense of public feeling through surveys of 748 households, weighted for age, race and sex. The team also consulted with activists from 88 community organisations and a number of businesses.

According to Jane Morris of the local government management board. Leicester's blueprint, like other local agenda 21 initiatives, envisages a partnership framework in which the council's role is "to influence and advise".

As a big local employer, the council itself has re-examined its internal organisation for environmentally friendly policies - staff transport, including a bike mileage allowance, energy efficient offices and "green purchasing". Moreover, all council reports and policy discussions must detail "environmental implications" alongside financial, equal opportunities and other consequences. No decision in any policy field is taken without reference to the environment.

Cost, in Leicester as elsewhere, remains a barrier, but not an insuperable one. "Some authorities say we have no money - why should we do this?" says Morris. But, she claims, "it is not about new money it is about spending existing money in different wavs

Leicester councillors say the blueprint does not call for higher spend-



Linked with File: Leicester is trying to implement goels set at the 1992 Earth Summit

ing. Rather, they say the strategy takes a broader and longer-term view of the "payback period" over which environmental initiatives

save money.

Critics claim Leicester has little concrete to show for the effort. Councillors reply that the city has recently launched a new pilot recycling scheme which collects materials such as plastics and cans from special doorway bins just like ordinary rubbish. All told, the cost exceeds the returns, but this has to be set against the cost of landfilling waste, with a further £7 per tonne new landfill tax planned.

"At the moment it is not commercially viable," says Steve Weston, of environmental management. "But it is a question of vol-ume." Weston hopes that once the scheme is extended in March, average cost will fall and the council will be able to negotiate long-term supply contracts with buyers of recycled materials.

Moreover, Leicester can point to the success of home energy grants for "fuel poor" local home-owners. The council offers a number of measures - including loft insulation, heat recovery fans, gas condensing boiler, energy management system and double glazing - giving 80 per

cent of the cost in grant. Between April 1994 and August 1995 the council made 624 grants, mainly to owners of Victorian terraces, saving residents £177.000 a year in fuel costs. The renovation grants - to help the poor and old keep warm - also reduced carbon dioxide emissions by 2,295 tonnes a year. Domini Gunn, area manager of renewal, said owner-occupiers contributing 20 per cent saved money within seven months.

There is less evidence for more ambitious plans to attract companies manufacturing environmentally friendly products to invest in the UK's "environment city" creating "green" jobs. Negotiations are continuing with several companies which currently import from the Continent.

Leicester's defenders say it is in the nature of local agenda 21 integrating environment needs with each strand of local government activity - that it will only bear fruit in the future. "People think this is a quick fix solution - it isn't," Morris says. "If it is about changing the decision-making process you won't see the effects until much later

Taking the rap on wrapping

David Lascelles on a report claiming that complaints about packaging are based on misconceptions

Then buying mushrooms from a street market, they are wrapped in supermarket next door, they come on a cardboard tray covered in clingfilm. No wonder people think consumer goods are overpackaged. But this popular view may be report by the UK Centre for Economic and Environmental Development (UK CEED), whose director, David Cope, was struck by the mushroom disparity while shopping in a Cambridge market. The report*, commissioned by Incpen, the trade group of the packaging industry, concludes that the packaging issue is overblown because consumers do not understand the role that packaging plays in the production stream long before the goods come

 Many people believe overpackaging results from the success of packaging makers in selling their wares to consumer goods manufacturers. Not so, says CEED. The evidence suggests the manufacturers are under constant pressure to cut their costs, and this includes packaging. With some exceptions, the type of packaging manufacturers use is the most efficient for the job. If a product has too much packaging, it is usually because of a "market failure". CEED

These are some of the main

into their hands

findings of the report:

identified lack of information, time lags in adoption of new technologies and failure to incorporate environmental costs in decision-making processes. But these failures can be corrected by the manufacturers, rather than more generalised failures requiring government action. The aim of packaging is not just to protect the goods at the point of sale. It has to perform from the production line through the distribution chain. "Packaging has often completed its task by the time it reaches the final consumer," says the report. Some packaging also plays a role in the

use of the product – containers

with spouts for example.

Packaging constitutes only 3 per cent of the waste that goes into landfill sites

 Packaging plays other roles, too, such as marketing and prevention of theft. The packaging of a scent bottle may be excessive just to protect the contents. But that is not why it is there. Blister packs of screws in ironmongers were designed to discoura shoplifting. The eventual choice of packaging represents a series of trade-offs between a wide variety The waste that packaging

be taken into accou Consumers look at the condition of the packaging when they buy something. If it is damaged, they will probably reject the goods, even if the contents are undamaged – and the packaging has done the job for which it was designed. So sometimes the

prevents through spoilage should

packaging has to be protected. Overall, the report concludes that there is no generalised overpackaging problem, and in any case that packaging constitutes only 3 per cent of the waste that goes into landfill sites.

The report goes on to criticise the UK government's response to public pressures, and the pressure it is now creating through regulation and taxes to minimise waste and encourage recycling. "Unfortunately, much of the

legislation reflects a knee-jerk response to a perceived environmental problem and lacks both an understanding of the role that packaging plays in a modern product supply chain and also an appreciation of the wider environmental consequences of the policy. The latter is illustrated by the legislation's narrow focus on recycling at the expense of

other policy options." However, the report itself has been criticised for using a narrow definition of packaging. It does not take into account many of the environmental costs of packaging: depletion of timber and mineral resources, and pollution caused by the manufacturing process, which would push up the cost of

packaging if fully accounted for. The authors say these issues are "not central" to the report, which examined the market as it exists today and where these costs have not been "internalised". But if manufacturers were forced to pay these external costs, they predict that the volume of packaging would go down as the market adjusted to a new optimum.

*Packaging in a Market Economy. £25. Available from Incpen. 3 Tenterden Street, London W1R 9AH. Tel: 0171 409 0949.

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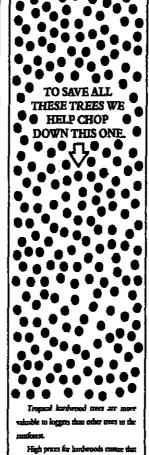
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FT Surveys

CONTRACTS & TENDERS



ÁPV RT.

HUNGARIAN PRIVATISATION AND STATE HOLDING COMPANY

MODIFICATION TO THE TENDER INVITATION

1. The Hungarian Privatization and State Holding Company (hereinafter Caller or ÁPV Rt.) /H-1133 Budapest, Uppesti rakpart 31-33./ modifies - under IX.2. of the detailed tender invitation - the invitation for a one round open tender for a nominal capital increase of at least USD 15 million of OAM Ozdi Acelmirck Kft. (hereinafter: Company), 3600 Ozd. Bajcsy Zsilinszky út 5., (Trade Register no.: 05-09-002456) and for the purchase of a stock necessary to gain management control (50 percent plus one vote) in the Company with the incerased share capital, as follows:

i.1, ÁPV Rt. will provide a development subsidy totalling HUF 2 billion 500 million, laid down by previous government resolutions, deposked on a blocked account on the day of the conclusion of the contract at the latest so that the funds be at the disposal of the Company as necessitated by the development requirements

1.2., Considering the modification, the Caller prolongs by 15 days the deadline for submitting the tenders. The new deadline is

March 1, 1996, between 13,00 and 14,00 hours

2., The place of submission remains unchanged:

Állami Privatizációs és Vagyonkezelő Rt. (ÁPV Rt.) H-1133 Budapest, Újpesti rakpart 31-33. floor 8, room 808

3.. The detailed tender documents and the detailed information memorandum constitute an integral part of the present modification.

4., All other conditions of the detailed tender documents remain unchanged.

5., All those partners who have bought the information memorandum annexed as enclosure to the detailed tender documents, which was subject to the subsmission of the tender, will receive by post the modified tender documents from the Company.

6.. Information on the modified detailed tender documents, the main data and features of the Company can be obtained from:

Mrs. Margit Jaksa Somogyi Állami Privatizációs és Vagyonkezelő Rt. (ÁPV Rt.) H-1133 Budapest, Ujpesti rakpart 31-33. Phone: (36-1) 267-6649 Fax: (36-1) 267-6648

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Television/Christopher Dunkley

Babes who wannabe boys

ll of a sudden commercial television seems to be full of female yobs: young women who refer to themselves with mannered irony as "babes" and "girlies". The words clash dramatically with the image they strive to convey of hard, modern, ballsy types who can and will do anything that men do - only more so. For those viewers old fash-ioned enough to relish the differences between the sexes, it will be reassuring and endearing to discover after the first couple of weeks that most of these would-be androgynes not only fail to schleve their object but look decidedly uncomfortable even making the attenuot.

It must be admitted that, so far anyway, none of these programmes begins transmission before 11.00 pm most start after midnight, and the best (assuming you actually like this sort of stuff) which is called God's Giff a screened by ITV at 13.40 cm. is screened by ITV at 12.40 on Wednesday nights with a repeat at the handy time of 2.55 on Saturday mornings. So they are hardly dominating the schedules yet. But experience shows that crazes which begin in the backwaters of the daytime or night-time output can easily progress to evening slots. God's Gift, is, if you can imagine such a thing, a vulgarised version of Blind Date. Five young men - sorry, "hunks" - compete for the "God's Gift" title and "the chance to choose their dream date from an all-girl audience".

However, poor Simon - the cost-accountant with a 34-inch inside leg. who proved such a success in the "Suck It And See" section where the lads had to suck the lasses' toes, who strutted his stuff in a posing pouch to a cacophony of girlie squeals, and who finally triumphed as this week's Stud-U-Like - chose as his date Joanne, the sweetie he had bowled over in the "Charm Or Smarm' chat-up test. So did Joanne grab this hunk and say "Come on big boy let's see what you've really got"? Did she heck. She made a moue, fluttered her cyclashes and indicated that she was already spoken for. So much for ballsy babes. Joanne was more like

something out of Little Women. As it happens, however, there is a real ballsy babe on this show: pre-senter Davina McColl who has bags of chutzpah a loud voice, and a ouick wit as well as long legs, a short pink mini, and clearly no need for a Wonderbra. She appears to be precisely what all these shows are shouting about, but what none of them except God's Gift has actually found.

The Girlie Show on Channel 4 made

There are some artistic pro-

jects that are really better left on the drawing board.

the classic error of whipping up a fervour of high expectation, achieving massive press coverage, and then failing to deliver the goods.

Much was made of the fact that the

"chief guest". and picked their "Wanker Of The Week", this seems to have made precious little difference.

The show's theme was

be the natural outcome of that gloriously illogical branch of feminist philosophy which starts out by vilifying men and masculine values, proceeds to proselytise female values and all womanly virtues, and concludes that the way forwards is for women to become more like men: stop raising children, put on a hard hat, wear trousers, tell dirty jokes and so on What we have on The Girbe Show (which fittingly enough comes on screen straight after Jo Brand Through The Cakehole; there is a girlie for you) is a lot of twentysomething women doing their damndest to behave like the more madequate sort of teenage boy. If you find something admirable in the lager-lout with his boozy songs, sex-ual inexperience disguised as bravado, clannish contempt for the opposite sex, and insecurity concealed under a desperate arrogance, then perhaps you will find these girlies

producers had forgotten to arrange a work permit for their chief presenter, a lanky American with a fashionable reputation for lesbianism and a metal rivet through her lip which is presum ably the cause of her slight speech impediment. However, since she appeared on the show anyway, as the

men's underpants and their contents. The babes said "willie" and "shag" a lot, and chucked in the f-word often enough to establish their bona fides. Goodness how we laughed. Well, perhaps not laughed exactly, but there cannot have been anything as laughable as this since ... what? Well since they tried to popularise Bessie Bunter. What these shows always seem to miss is that when the chaps on programmes such as Eurotrash do items making fun of women (and they do just as many which make fun of men) they are delivered tongue in cheek and with affection and charm. Moreover Autoine de Caunes and Jean-Paul Gaultier can read autocue without sounding as though they are spelling out the words, and when there is no autocue they can extemporise without These girlie programmes appear to

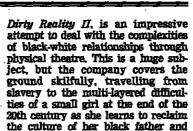
> All part of the dumbing-down process: The Girlie Show the weekend culture show. Hotel Babylon, is presented by a babe who looks the part - Dani Behr, previously presenter of The Word - but who is scarcely god's gift to interviewing. There seems little point in getting American film director and black icon Spike Lee out to some ancient pile in the country in order to have Ms Behr ask "Compared to every film you've done, all the movies you've made, which one do you look back on which gives you the most satisfaction?" and "What music are you currently into at the moment?" But then much of this show is simply a Top Of The Pops re-hash, latest an endless line of such shows in

thrust their taut little midriffs at the cameras. We have been enjoying them

ITV's late-night Saturday offering, Pyjama Party, is presented by Katie Puckrik (another American; it is heartening to find that so few British women shine at this sort of thing) surrounded by a great crowd of girlies most of whom look as though they are working for a Damart placement scheme. This time instead of a country hotel the rinky-dink conceit is that Katie has invited all her buddies to roast weenies and sleep over ... or whatever it was that American teenage girls used to do. This may have seemed like quite a neato notion of which is spreading like couch grass retro-chic when La Puckrik was 16 or through television.

so, presumably in the mid 1970s. At that time it would have been seen as a fond and fashionable throwback to the Doris Day fifties. Today it just

Hotel Babylon may be spending something on its location and The Girlie Show sent a camera outfit of some sort to do its "Toilet Talk" item. somewhere away from the studio. But generally speaking one of the huge attractions of these programmes for the accountants who now run television must be their wonderfully low costs. For the viewer their most striking characteristic is that they are all



If there is a drawback to the show, it is that it is easier to raise issues through physical theatre than it is to follow through by debating intricate problems. But all in all, this is a fluid, powerful and angry show, beautifully choreographed by Benji Reid, directed

People Show 101 tours to Wolverhampton, Coventry, Southport, Cardon WC1 to February 3 (0171-242

Theatre/Alastair Macaulay

Black soap

↑ he Pulitzer-Prize-winning black American playwright August Wilson has been at work for some 15 years on a series of plays about the experience of blacks in the US, each play covering a different decade of the 20th century. Two Trains Running, the latest of these to reach Britain, represents the 1960s, and in Paulette Randall's staging at the Tricy cle Theatre it achieves a texture so thick you could eat it. The action occurs in Pitts-burgh in 1969, and the locale perfectly achieved in Ellen Cairus's evocative decor - is a

standard American diner: "Lee's Diner", set on a corper, with high stools around a curving bar, a jukebox, and windows facing out on the streets. But it is in the language and accents that the play's texture mainly lies. Brief quotations cannot catch this. You have to hear

whole speeches made up of simple lines like "Found me some water. Made me a nice little crop", and to hear the tonality and vigour with which they are uttered, to appreciate the main life of this play. Sometimes, especially in Act One, there is so much texture that it stops you attending to what is actually being said. Two Trains Running is a sentimental affair. It spends much of its time making you feel that all seven of its cha

Not that that matters much. really deserve a great big hug. Offstage there are rallies for black power; Malcolm X is talked of like Christ, Martin Luther King like St Paul, But mainly we just learn to love these guys onstage. The dialogue is often often funny, even on racial problems.

problems - even the beautiful Risa has disfigured her legs with slashes because she got sick of men pursuing her for her looks - and all of them are lovable. Will the charming excitable Sterling end up in jan again for theft? Will the saucy Wolf go too far with his shady dealings? Can Lee sell his diner for a profit? Will the imbedlic, obsessive Hambone get the ham he thinks he was promised ten years ago? Will Risa marry Sterling?

Yes, Two Trains Running is almost as good as a soap opera. In the penultimate scene we hear that one of the characters has died in his sleep - the "two trains" of the title are life and death - and the last scene gives everyone a chance, according to his or her lights. to behave well by the dead. And, as with soap opera, Wil-son has a terrible habit of ending scenes on cliffhangers or at crisis points.
Under Randall's direction

the acting is the way people used to describe the London Symphony Orchestra: loud, fast, and brassy. As with the writing, the texture is powerful - and yet the characters are scarcely three-dimensional. Bags of charm, though. Tony Armatrading may project too much integrity to be quite right for the jailbeit Sterling, but his mixture of nervous intensity and spontaneous charm are very winning. As the statuesque, guarded, slowwalking, and observant Risa, Janny Jules is very impressive. On press night, a couple of characters blundered around several lines and fluffed some cues, but it hardly mattered. Everything was strong, sweet and harmless.

All of these blacks have their Tricycle Theatre, NW6.

Recital/David Murray

Pianist dreams on

ars Vogt came a distin-guished second - to Artur Pizarro - at the last Leeds Competition but one. I admired his playing warmly then, though I wondered whether he might not soon be tempted into conducting: his creative musicianship seemed to aim beyond the limits of the keyboard.

But Vogt has stayed with the piano, performing around the world and recording concerti with Simon Rattle; and on Sunday he reappeared in the Queen Rhzabeth Hall's "Inter-

national Piano Series". It was a mixed pleasure. He began with three preludes by Henri Dutilleux, gently suffused with the sense of mystère that the 80-year-old composer has cultivated in all his later works. Long sonorities, brief bursts of delicate filigree, a sternly restricted harmonic palette: Vogt set them all out with dedicated intensity.

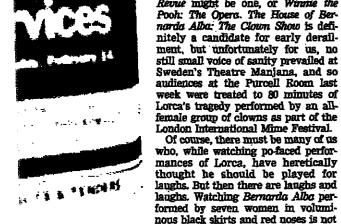
Often he came close to realis-ing Debussy's ideal of a "keyboard without hammers", the sounds effortlessly emitted rather than struck. Nothing could suit Dutilleux better, but what Vogt played next was a half-dozen of Schubert's Moments musicaux. D.780, also treated to spectral half-lights, and to heedlessly imaginative rubati. They were fascinating, crammed with personal feeling - and there were passages in which one lost any sense of where the downbeats came.

That would be odd in any

Schubert, and in the innocent Moments musicaux it was almost bizarre. Expressively teeming though Vogt's versions were, they sounded like hyper-subjective fantasies around the actual music, fanciful views from a long way off. One told oneself that this first half of his programme must have been designed to throw Brahms's Sonata no. 3 into busty relief after the interval.

On the contrary, his account of that F minor sonata was as wiltingly introspective as could be. Neither the opening Allegro maestoso with its thunder-andlightning start, the "energico" Scherzo or the leaping Finale acquired any impetus. The programme-book quoted Vogt as saying of the Brahms that "one must forget the percussive nature of the piano and think in terms of wind and brass, of sonorities which are deeply connected".

But that is plain silly. Brahms himself was always known as a burly piano-player, and his three early sonatas all revel in the percussive sweep of the instrument. Though keeping the sound of woodwinds and brass in mind is a good plan, it gives no excuse for rendering Brahms like Debussy in ultra-deliquescent mode, all impressionist pedaleffects and downbeat-free. In this performance, we heard far more of Vogt than of the composer. Vogt is still only 25 or so; I expect he is going through



1

11. 25.

V 171

London Mime Festival/Sarah Hemming

Clowning about with Lorca

King Lear: The Musical Revue might be one, or Winnie the Pooh: The Opera. The House of Bernarda Alba: The Clown Show is definitely a candidate for early derailment, but unfortunately for us, no still small voice of sanity prevailed at Sweden's Theatre Manjana, and so audiences at the Purcell Room last week were treated to 80 minutes of Lorca's tragedy performed by an allfemale group of clowns as part of the the local heart-throb, Bernarda Alba chains all five daughters to ber belt, London International Mime Festival and swaggers about the stage with Of course, there must be many of us who, while watching po-faced perforthem flapping about her like a clutch of recently slaughtered fowl. The mances of Lorca, have heretically thought he should be played for daughters squeak and burble (well, what else can you do when your

a bulbous red nose) and communicate formed by seven women in volumithrough the excited gestures and gognous black skirts and red noses is not gle-eyed expressions usually reserved a side-splitting experience. Theatre Manjana, directed by expefor theatre for the under-fives. There are some inspired moments rienced mime artist Nola Rae, whip and entertaining images - Pepe el through the story using a few dozen words and a great deal of physical Romano, the object of the daughters'

coat that each of them wraps about little figure: small, pudgy-faced and mobile-featured, kitted out with a pair herself - and to begin with, the show has an absurd appeal. But this soon palls, and the end result is like watchof unnaturally long circus boots and a ing Lorca interpreted by Tom and determined air of malevolence. When Jerry. Somebody warn them off Three her youngest daughter outwits her strict imprisonment and dallies with

ITV's new Friday night example of which babes with skimpy clothing

Theatre Maniana's show is at least comprehensible, which is more than you can say for the new People Show at the Battersea Arts Centre. This is show number 101, and it it is the group at its most opaque.

As the show starts, we are in what appears to be a laundromat. A giant washing machine, steaming and clanking, dominates the stage. It rotates to reveal a group of whitecoated individuals working slavishly at applying fluids, steaming, ironing and hanging up clothes. Every now and then one of them escapes, addresses the audience in confidential

tones about his or her inner shortcomings, then climbs in through the washing machine door. What is going on? Are we in the

laundry room of some giant hotel? In a futuristic society? A lunatic asylum? Purgatory? While the group becomes more and more inventive. shrinking and growing and splurging out green jelly to back-projections of religious paintings, many of us are still labouring hopelessly at interpretation. Only a glance at the pro-gramme can offer enlightenment: apparently this is a show about religious cults, using the obvious metaphor of the dry-cleaning industry. Those who work in dry-cleaners may feel instantly at home, but the prob-lem for many of us is that the group is already on fast-spin while we are

Black Mime Theatre's new show.

20th century as she learns to reclaim the culture of her black father and reconcile it with that of her white

with pace and force by Denise Wong and performed with great wit and pre-cision by an extremely skilful cast.

diff and Crawley (information on 0171-729 1841); Dirty Reality II con-tinues at the Cochrane Theatre, Lon-7040).

INTERNATIONAL

gusto. Bernarda Alba is played by

■ AMSTERDAM

EXHIBITION Rijksmuseum Tel: 31-20-6732121 Saved for the Nation. The Collection of the Royal Antiquarian Society: exhibition of works from the ollection of the Royal Antiquarian Society, originally founded in 1858 o preserve the Dutch cultural eritage. The show provides a urvey of the objects collected by ne society, many of which have ever been exhibited before. Among ne items on view are drawings, rints, books, atlases, fans, aintings and furniture; to Feb 4

ATHENS

ONCERT thens Concert Hall al: 30-1-7282333 New Hellenic Quartet: perform ring quartets by Puccini, Cherubini, spighi and Verdi; 8.30pm; Feb 5

! BERLIN

is Bauhaus-Archiv, Museum für

Gestaltung Tel: 49-30-2540020 Umbo - Vom Bauhaus zum Bildjournalismus: exhibition devoted to the work of Bauhaus photographer Otto Umbehr (Umbo).

means of expression are hampered by

desire, is portrayed by a man's over-

who is especially known for his portraits, views of Berlin, and photo reportages. The display includes some 180 photographs, many of which have never been exhibited before; to Feb 4 OPERA

Deutsche Oper Berlin Aida: by Verdi, Conducted by Stefan Softesz and performed by the Deutsche Oper Berlin, Soloists include Waither, Fernandez and Molsberger; 7,30pm; Feb 3

■ CHICAGO

OPERA Civic Opera House & Civic Theatre Tel: 1-312-332-2244 Faust: by Gounod. Conducted by John Nelson and performed by the Lyric Opera of Chicago. Soloists include Richard Leech, Samuel Ramey, Renée Fleming and Dmitri Hvorostovsky; 7.30pm; Feb 2, 5

COLOGNE

CONCERT Kölner Philharmonia Tel: 49-221-2040820 Kölner Rundfunk-Sinfonle-Orchester: with conductor Zdenek Macal perform works by Wagner, Mozart and Schubert; 8pm; Feb 3

■ GENOA CONCERT Teatro Carlo Felice

Tel: 39-10-589329

 Symphony No.7: by Bruckner. Performed by the Orchestra del Teatro Carlo Felice, conducted by Spiros Arakis; 9pm; Feb 2

■ HAMBURG

OPERA

Hamburgische Staatsoper Tel: 49-40-351721 Madama Butterfly: by Puccini. Conducted by Sebastian Lang-Lessing and performed by the Hamburg Oper. Soloists include Miriam Gauci, Yvi Jänicke and Hanne Krogen; 7.30pm; Feb 3

LAUSANNE

DANCE Théâtre de Be Tel: 41-21-6432211

● Les Ballets de Monte Carlo: perform the choreographies The Prodigal Son by Balanchine to music by Prokofiev and Sheherazade by Fokine to music by Rimsky-Korsakov; 8pm; Feb 3, 4 (6pm)

■ LEIPZIG

Oper Leipzig Tel: 49-341-1261261 Katya Kabanova; by Janácek. Conducted by Jiri Kout and performed by the Oper Leipzig and the Gewandhausorchester. Soloists include Julia Juon, Clarry Bartha and Jörg Schömer, 7pm; Feb 3

LONDON CONCERT

Wigmore Hall Tel: 44-171-9352141 Peter Katin: the planist performs works by Schubert, Beethoven,

Chopin and R. Schumann; 4pm; Feb

The Nash Ensemble: with conductor lan Brown and baritone Matthias Görne perform works by Busoni/Stein, Zemlinsky/Stein, Beethoven, Strauss and Mahler/De Leeuw; 7.30pm; Feb 3 EXHIBITION

Tate Gallery Tel: 44-171-8878000 Sketching the Sky: Watercolours from the Turner Bequest: like many other artists of the Romantic period, Turner painted hundreds of studies of the sky. The act of making these memoranda was essentially an excercise intended to assist the recreation of naturalistic effects in more finished pictures. Yet Tumer seems to have become increasingly absorbed with the process itself, to the extent that this can be seen as a distinct area of his work to Feb 4

■ NEW YORK CONCERT

Alice Tully Hall Tel: 1-212-875-5050 Takacs String Quartet: perform Schubert's String Quartet No.13 in A minor (Rosamunde), Bright Sheng's String Quartet No.3 and Beethoven's String Quartet in E minor, Op.59 No.2; 2pm; Feb 4
Carnegie Hall Tel; 1-212-247-7800
St. Petersburg Philharmonic

Orchestra: with conductor Mariss Jansons and planist Emanuel Ax perform the overture to Weber's Euryanthe, Besthoven's Piano Concerto No.3 in C minor and Rachmaninov's Symphonic Dances; 3pm; Feb 4 The Metropolitan Museum of Art

Tel: 1-212-879-5500 Michala Petrì and Lars Hannibal: the recorder-player and guitarist/ Tel: 43-662-80450

lutist perform J.S. Bach's Sonata in F minor for treble recorder and basso continuo. Telemann's Two fantasies, Scheindienst's Variations on an Austrian folk song for sopranino recorder and guitar, and Tartini's Sonata in G minor, 7pm;

Feb 3 EXHIBITION The Metropolitan Museum of Art Tel: 1-212-879-5500

 River of Gold: Precolumbian Treasures from Sitio Conte, Panama: an exhibition of approximately 100 works of art in gold, excavated by the University of Pennsylvania Museum in 1940. Discovered in burials along the banks of the Rio Grande de Cocié in central Panama. the objects date principally from the 8th through the 10th centuries; to Feb 4 **OPERA**

Metropolitan Opera House Tet: 1-212-362-6000 The Makropulos Case: by Janácek. Conducted by David Robertson and performed by the Metropolitan Opera. Soloists include Jessye Norman, Hakan Hagegard and Graham Clark; 8pm; Feb 1

■ ROME CONCERT Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064 Guameri Quartet: and violinist

Kim Kashkashian perform string quartets by Haydn and Brahms; 8.45pm; Feb 2

SALZBURG CONCERT Grosses Fee

 Wiener Philhamnoniker: with conductor Roger Nomington and pianist Imagen Cooper perform Haydn's Symphony No.49 In F minor (La Passione), Mozart's Piano Concerto No.23 in A, and Beethoven's Symphony No.2. Part of the Mozartwoche '96; 7.30pm;

■ VALENCIA CONCERT

Palsu de la Música i Congresso Tel: 34-6-3375020 Orquesta de Valencia: with conductor Manuel Galduf and violinist Uto Ughi perform Brahms' Violin Concerto in D major, Op.77 and Beethoven's Symphony No.5;

VIENNA

8.15pm; Feb 2

DANCE Wiener Staatsoos Tel: 43-1-514442960 Manon: a choreography by Kenneth MacMillan to music by Massenet, performed by the Staatsopemballet; 7.30pm; Feb 2

■ WASHINGTON JAZZ & BLUES Terrace Theater Tel: 1-202-467 4600

 Hank Jones: performance by the jazz planist. Once sideman with Charlie Parker, Billie Holiday, Coleman Hawkins, Lester Young, Benny Goodman, Quincy Jones, Miles Davis, and Elia Fitzgerald, Jones went on to conduct the CBS Orchestra and the Broadway run of Ain't Misbehavin', among other activities; 7.30pm; Feb 2

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Edward Mortimer

Worst of both worlds

Five years after the Gulf war, Saddam is still leading Iraq, and still keeping the world guessing about his real intentions

Pive years ago Desert Storm was raging. Each night brought a hail of bombs and missiles down on Iraq, smashing the infrastructure of what had been (thanks to its rare combination of oil and a large, well-educated population) one of the Arab world's most

advanced economies. George Bush, then US president, had proclaimed the new world order, and had designated Saddam Hussein as the new Hitler, calling on Iraq's army and people to rise up and overthrow him.

Saddam was defeated. Once allied forces moved forward on the ground, his army fled from Kuwait almost without a struggle. Bush called a ceasefire, taking his own commanders by surprise, as they admitted in a TV documentary earlier this month. None favoured occupying Baghdad; all regretted they were not given time to encircle and disarm the retreating army.

Bush had hoped Saddam's overthrow would spare him the need for a ground operation to liberate Kuwait from its Iraqi invaders. The Iraqi people failed to grasp this point. They thought Bush shared their objective of liberating Iraq, and they chose what seemed the most favourable moment to rise up for that purpose, after Saddam had been defeated in Kuwait. They got no help: neither

weapons, fuel, food, medicine nor even public encouragement, although the victorious allied army was only a few miles away. When Saddam used helicopter gunships to attack the rebels, Bush's spokesman, Marlin Fitzwater. confirmed that this was "OK" because it was not prohibited by the ceasefire agreement (which allowed Iraq to use helicopters for humanitarian and administrative purposes).

Only weeks later, when Iraqi Kurds were pouring over the Turkish border, did western forces enter northern Iraq and establish a "safe haven". off limits to Saddam's aircraft and troops. This still precari-

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ously exists, though crippled by a double embargo: the outside world treats it as part of Iraq and therefore subjects it to sanctions, while Saddam withholds supplies because it is not under his control.

A southern no-fly zone was added in 1992, but this is no safe haven: it does not inhibit Saddam's use of ground troops. In southern Iraq as in central Iraq, Saddam still rules, blaming the west for the appalling conditions in which his people live. Many accept this explanation - including some ingenuous, and some less ingenuous, westerners.

Among the latter are lraq's creditors and would-be suppliers; among the former are churchmen and aid workers who return from Iraq with harrowing tales of malnourished children and hospitals without drugs or anaesthetics. They call for sanctions to be lifted, often ignoring the fact that food and medicine deliveries have never been embargoed. Iraq apparently lacks the foreign exchange to pay for them, although not for rebuilding Saddam's palaces

and re-equipping his army. The UN security council has passed resolutions allowing Iraq to raise money for humanitarian supplies by selling limited quantities of oil provided a share is spent on war reparations, and another share goes to the Kurds. Saddam has rejected these resolutions, but now says he will negotiate on the latest one. The news has rattled the oil market, and momentarily restored some purchasing power to the Iraqi dinar.

Talks will begin next week. But Saddam's chosen delegate is a middle-rank diplomat who will be given no leeway to negotiate. Few experts believe Saddam is really prepared to accept the UN's terms. If he did, the real income of ordinary Iraqis would be quadru-pled, with the UN controlling the distribution of supplies. The difference in standard of living between Saddam's security forces and the rest of the population would be drastically reduced, as would the black market on which he and his cronies thrive. The mechanisms by which he controls the population might be fatally undermined.

Under renewed pressure from his former ally, King Hussein of Jordan (who has moved to restrict trade with iraq and has been talking to Iraqi opposition leaders in London). Saddam has once again got the world guessing about his real intentions. As usual, he is playing for time, while staving off the most immediate threats. The security council bad mooted the idea of sending a commission to investigate the humanitarian situation. This was pro-

But this was the logic that led the US to withhold support from the uprisings in March 1991. "Let the army defeat the uprisings, then it will turn on Saddam," was the experts' advice. The army defeated the uprisings, and five years later Saddam is still there. Sanctions have been suc-

posed by France, one of Iraq's

leading creditors, which wants sanctions lifted, or at least

eased. The US and UK, how-

ever, insisted the commission

must not only describe the sit-

uation but say who was

responsible for it. Saddam

would not welcome that. By

offering to negotiate, he has ensured the commission idea

So the stalemate goes on. In

the north, an agreement has been reached between the two

rival Kurdish parties, which

until last summer were fight-

ing each other. It provides for

a peacekeeping force, to be

formed by the Iraqi National

Congress, an umbrella body to which both parties are affili-

ated. The US has promised to

find resources for this.

Last March the INC did

organise, with the help of one

of the Kurdish parties, an

offensive against Saddam's

forces in the north. It had

some success, but soon stopped, mainly because the

other Kurdish party refused to

join in, and the west again

gave no support. Both the INC

and its western backers were

divided about the wisdom of

such an offensive. Those

against say the only hope for

a change of regime lies in a military coup, and that the INC should encourage this by

befriending the army, not

attacking it.

is shelved.

cessful in "containing" Saddam within Iraq's borders. That is little consolation to Iraqis who have the worst of both worlds, suffering from sanctions and from his arbitrary rule. Increasingly they suspect that the west's aim is not to help them overthrow Saddam but to keep him in office as long as possible, as a way of keeping Iraq weak.



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Priority should be for British Council

From Mr Bernard Simon. Sir. As a former British Council scholar from Belgium, I add my voice to yours ("Penny wise", January 30) in defending the role the council plays in promoting UK

As a case study, mine is specific and quantifiable. The small investment in my graduate education (£2,500), which was divided between me and a medical student from Luxembourg, earned the Treasury a good multiple of that sum in taxes and National Insurance (excluding rates, consumption, interest and banking services), two sons in British private schools, and a very modest contribution to British merchant banking in the far east. My wife, moreover, is British.

The dedication and wisdom of the director of the British Council in Brussels at the time, Mr David Jenkinson, was behind this shrewd investment decision, let alone the goodwill created. His budget was being reduced progressively, with a responsibility for both Belgium and Luxembourg. There were two deserving candidates, in his view, so he allowed us to share the bursary. It is the sum total of these wise acts, by the poor relations of the diplomatic service, that should spur the latter into becoming more sensitive to the trade realities of today's world, or

face a shake-up.

The priorities should be put right: reduce idle diplomatic staff, protect and expand the budget of the British Council so that British trade may thrive. Mr David Howell's view should prevail.

Bernard Siman, senior analyst, **UBS Securities** 2-2-2 Otemachi, Chiyoda-ku, Tokyo 100, Japan

Tax on grain exports from the EU is the only rational move

From Mr Douglas Hogg MP. Sir, I was surprised at your criticism ("A missed chance", January 25) of the decision by the EU agriculture commissioner Franz Fischler to introduce a tax on grain exports. I think it is wide of

The EU's problem with cereals, as for other important products, has always been big surplus production that had to be exported with expensive

support prices, introduced cash payments to farmers to compensate for the cut, and went in for set-aside. The aim. was to enable it to live within the General Agreement on Tariffs and Trade-Imposed limits on subsidised exports. That is not the British

government's notion of an ideal policy. But it was where Mr Fischler had to start from in deciding how to react to the sharp rise in world grain prices that have taken them above the EU support level. You say that, instead of an

export tax, set-aside should have been relaxed or the compensation payments reduced. On the first, you seem to forget that crops take time to grow. Grain now available on the EU market was sown in the autumn of 1994. The Agriculture Council did reduce set-aside for that crop.

In 1992 the EU cut grain

Had it been able to foresee the high world prices that materialised a year later, no doubt it would have made a bigger reduction, secure in the knowledge that the surplus could be exported without subsidy. But it was not so omniscient. Last autumn, the set-aside requirement was cut further; but, of course, the grain will not become available

until this summer. On the second, I have recently written to Mr Fischler drawing his attention to the massive over-compensation to farmers resulting from the fact that EU market prices have fallen by much less than expected when the

I very much hope he will recommend the Agriculture Council to reduce the payment rates. But this would only take effect from the next crop: the payments on the 1995 crop have already been made. So what should be done here

and now? Surely an export tax. which benefits consumers and reduces the degree of over-compensation to farmers. is an entirely rational move. Should we really signal to consumers that the Common Agricultural Policy can never work in their favour because they must always pay the EU

price, whichever is the I would very much welcome cereal farmers being fully exposed to world price movements. But I can see no point at all in an exposure that goes in one direction only.

support price or the world

Douglas Hogg, minister of agriculture, fisheries and food. Whitehall Place, London SW1A 2HH, UK

Constraints to development of Internet

From Professor Ippei

Wakabayashi. Sir, Your article "Drowning, not surfing" (January 22) was interesting and suggestive, and Mr Michael Beirne's critical comment "Japan may have been slow to catch Internet fever but it will make good its promise in 1996" (Letters, January 24) is persuasive on some points. The present Net culture is changing rapidly as indicated by Mr Beirne, but

towards where? This is the very point. The Net is changing constantly. Most people have a strong need to join in the Net culture, but the present Net culture prohibits it. Why? Because today's Net culture is mainly based on the PC culture that started from the hobbyist sub-culture in the 1970s and

has grown up into the present sophisticated systems. Ordinary users enjoy no more than a small, limited part of it. Only professional or manic users can fully enjoy such

Ironically, we know many "professional" PC users are suffering from problems with bad user interfaces: the sudden freezing of the desktop screen, and the unlucky and suddenly-occurring system crash. I am sorry, but Macintosh is no exception. The majority of people never support this kind of PC culture. They support really easy-to-use systems like TV. VCR or microwave equipment

Their needs will make the next

Net culture and create new.

easy-to-use equipment and

popular programs.

The Net culture was born in the US and Europe, and has been spreading out to the rest of the world. In the 21st century it will enter the next stage, where more than 2bn people enjoy it, including the world's largest populations, China and India. Japan Inc may succeed in making new consumer products like "Netkaraoke" or "Net Nintendo", but on the other hand many newcomers will be able to ride the next surf using the new Net environment.

Ippei Wakabayashi. Faculty of International Studies, Bunkyo University, 1100 Namegaya, Chigasaki. Kanagawa 253,

Practical Industry Analysis

Saddam: sanctions have contained him within Iraq

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Hidden champions take a bow

Germany's most successful companies are often its minnows rather than its giants. While the names of such multinational concerns as Siemens, Volkswagen and Daimler-Benz commonly symbolise the might of the German economy, it is the myriad smaller and medium-sized (Mittelstand) companies that provide the real impetus behind exports, economic growth and jobs.

Hermann Simon calls them the "hidden champions". Many of these companies, of which he has discovered more than 500, have world market shares of between 70 per cent and 90 per cent. Few big companies can even dream of this. In his new book, also to be published in the US, he subjects this layer of industry to intense

scrutiny.

He is also, however, con-cerned about its future. The best companies will survive, but high taxes, bureaucracy and the financial burden imposed by Germany's generous social security system will push many to expand even more rapidly abroad. Their growing worldwide presence will help create new jobs at

Yet Simon - a former management lecturer at Mainz uni-versity who now heads the Simon, Kucher & Partner consultancy in Bonn - sees "seri-ous dangers" for the Mittel-stand, around which a debate has recently flared up concerning tax rates, investment incentives and innovation.

The book deals with the companies rather than the system within which they operate. But Simon admits he is pessimistic about whether government concern over jobs and eco-nomic stagnation will result in much action. "Millions of Germans have got used to support from the state," he says. Thus he doubts whether enough will be done to cut the social security budget and reduce the levies which add to industry's

Through their very determination, the companies studied by Simon have so far managed to deal with such impediments. Some of his champions are really hidden. Outside their own ~ often highly specialised - sectors, many are barely known. For instance, Hauni leads the world market for cigarette machines with a 90 per cent share. Tetra holds more than half the world market for ornamental fish food. Others with dominant positions in their often esoteric markets include Binhold (anatomical teaching aids such as skele-

A new book tries to find out why small companies are Germany's success stories, says Andrew Fisher



Competitive advantages of "hidden champions"

Product line/interration lake for money e/distribution Delivery policy Percentage of "hidden champions"

Some of Germany's world market leaders

COMPANY	PRODUCT 1	TURNOVER (DM)	EMPLOYEES
SAP	Business software	1,800	5,000
Aesculap	Surgical instruments	525	4,500
Hille & Müller	Cold rolled steel	500	1,500
Ex-Cell-O	Machine tools	450	1,300
Märklin	Model railways	220	1,700
Arnold & Richter	35mm film cemenas	195	700
ASB Grünland	Potting compost	191	465
Matth. Holmer	Harmonicas, eccordions	s 190	1,050
Grenzebach	Glass handling equipme	ent 100	450
Hensoldt & Söhne	Telescopes, binoculars	90	957
Source: Hidden Chemoion			

tons). Götz (dolls) and Aixtron (coating plants for semiconductors). Simon's champions also include some companies which are well-known in German industry: SAP, the fast-growing business software producer, Märklin (model trains) and Leybold (coating and vacuum technology). What characterises all these

companies - defined by being number one or two in the world market or first in Europe and having a turnover below DM1.5bn (\$1bn), with a few exceptions - is a strong com-mitment to be the leader of their field, and even to define the very nature of their market. As well as producing innovative products, they take pains to ensure quality, follow-up service and punctual delivery and repair. Reliability is vital to their success Simon decided to try to discover the root causes of these champions' success. The main requirement seems to be sheer obsession. "The hidden champions strive for market leadership - nothing else." And they are tireless in seeking this goal, over decades if necessary.

They are also extremely innovative, frequently produc-ing technological breakthroughs. Such star companies tend to have several times as many patents as big compa-nies, measured by size of workforce. But they focus with equal intensity on technology and marketing. Closeness to customers is an obvious attribute. But they also watch their rivals like hawks. Showing how excellence can

breed imitators, and thus competitors, Simon notes that top companies in specific fields are often in the same town or region. He cites the examples

of Würth and Berner in assembly products and Aesculap. Storz and Martin in surgical instruments. Such companies thrive - if they do not go under - on direct competition. But all the hidden champions attack their competition wherever it is to be found - "they defend their market shares bit-

Spurred on by their strongly individualistic and combative streak, such companies set their own pace and style. "Hidden champions go their own way," says Simon. "They do things differently than other companies and do not follow what popular management gurus say." Admirable though this is, however, such egoism also has its drawbacks, especially since most star compa-

nies are family-owned.

The most obvious is the succession problem. As the founders age, they have to hand over the reins. But many company owners do not want to step down. "Strong personalities don't want to give up." Nor do . they always have heirs willing or able to take over. This can be solved through manag buy-outs or trade sales, but new owners have to ensure that these companies do not lose their character or free-

dom. Yet if Germany's example is so potent, why are there no outstanding business personal-ities there to match Bill Gates in the US or Richard Branson in the UK? One reason is envy, Simon says. "In the US or Japan, people envy Bill Gates in a positive sense. Here, the response tends to be negative people comment on how high their tax bill must be. The effect of envy is that people keep out of sight.

This means there is no posi-tive motivational effect. Locally, German business leaders are well known. But unfortunately, they are not visible enough to set a wider example." It is also not the usual style in Germany to parade one's success. Tough and dynamic the bosses of the champion performers certainly are. But they are keen that they, if not their companies. should stay hidden.

Die heimlichen Gewinner (Hidden Champions). Die Erfolgungstrategien unbekannter Weltmarktführer. Campus Ver-lag. Frankfurt. DM68. (English version to be published in May by Harvard Business School Press, Boston, US, as Hidden Champions - Lessons from 500 of the world's best-unknown

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Wednesday January 31 1996

Hanson: the end of an era

Three decades ago, James Hanson and Gordon White started their life's work: turning a small company with interests in truck sales and fertiliser sack hire into one of Britain's biggest businesses.

Yesterday, five months after Lord White's death, Lord Hanson answered the question of what is to become of the company as its

By splitting Hanson into four, he is acting as boldly as in any of the takeovers that made the company a conglomerate with a stock market value of £11bn (\$17bn). While it must have been tempting to leave behind a giant enterprise bearing his name, the new bearer of the Hanson escutcheon will be an unglamorous £2bn-a-year supplier of building materials.

Hanson's raison d'être was the purchase of underperforming companies, the sale of their peripheral assets, and a fierce focus on the profitability of what remained.

In this way, the group was able to cover the costs of its Imperial Tobacco acquisition from dispos-als, and still have a business generating £350m in operating profits. Similarly, it was able to recover one and a quarter times the price it paid for SCM in the US, and still retain a profitable specialty chemi-

The demerger underscores one fact about the company that its always had a cadre of strong, profit-oriented operating managers. capable of filling the top jobs in

four substantial companies. Yet the risks it took in making bold, often contested, acquisitions were offset by a determined cau-tion in its operating style. This approach, with its emphasis on short-term payback, was heavily criticised. So, too, was the group's strong Anglo-American focus. The

Europe. Nor did the company ever

seek to build global brands. In the absence of more effective pressure by institutional investors for improved corporate performance, predators like Hanson have performed a necessary function, especially in mature or declining industries. That way of working did, however, become controversial when it appeared to pose a threat to a higher tech, cap-ital-intensive business in the shape of Imperial Chemical Indus-

ICI's robust counter-attack, in resonse to the build-up of a Hanson shareholding, was a turning point, in that it seemed to reveal management weaknesses in Hanson itself. The demerger solution at both Hanson and ICI is a much better outcome than would have been a combination of these two very different companies.

Hanson itself had grown too large, and arguably too complex for the kinds of acquisition that fuelled its growth. It has in any case been handicapped by the loss of Lord White, the partnership's deal-maker. The stock market has become more preoccupied with growth stories, and less enamoured of a focus on turnrounds in unexciting and mature industries.

Hanson was a product of its time, and that time has gone. The shares have underperformed for some time. If - when - compla-cent managements and underpriced assets re-emerge, so will the Hansons of the next generation. In the meantime, all credit to Lord Hanson for devising a solution that provides an attractive dénouement to his career, and which may contain lessons for other large and undeperforming groups. This is a fitting curtain call for a group that has been both

Jobs for Germany

The "comprehensive" action plan to boost growth and jobs announced by the German cabinet yesterday is not, by any stretch of the imagination, comprehensive. Nor is it likely to raise domestic demand and employment in the near future. But incremental, towards reforming the German supply side are a good deal better than none at all.

Observers will spot many an old friend in the programme. One example is the plan to abolish the local trading capital tax which Mr Theo Waigel, the finance minister, has tried, and failed to get rid of in the past.

Yet the package does at least press many of the right buttons: deregulation of the economy, reductions in social security contributions, pro-business tax reforms. The issue is whether today's relatively reformist climate will last long enough for the measures to pass through the con-sensual political process into law. Economic distress triggered sim-

ilar talk of German structural reform in the past, only to falter as the economy began to pick up. Many of yesterday's proposals were in fact reminiscent of the action plans of 1993, when many argued that Germany would never escape recession without a funda-

recovery of 1994 - and subsequent revival of faith in the German model - caused many of those pro-posals to be shelved. Yesterday's proposals could all too easily suf-fer the same fate if output and should note that at least three quarters of Germany's nearly 10 per cent unemployment rate is

structural, not cyclical. Chancellor Helmut Kohl will not be able to achieve his promise to halve unemployment by the end of the century on the strength of yesterday's package alone. Above all, the plan almost entirely fails to address the question of deregulating the service sector, where a large share of the new jobs would have to come from.

As ever, the greatest short-term

hopes for a revival in German growth must lie with the Bundes bank. Although the December money supply figures were stronger than many expected, the poor state of the economy might trigger a second cut in the discount rate, presently 3 per cent, as soon as Thursday's council meeting But in the negotiations to come Mr Kohl and his social partners must not repeat the time-honoured ritual of talking about supply-side cures, but relying on the relief of

Old clothes

There are so few public clues to risk of wearing a lounge suit. The the thinking of the Chinese Comsum was obvious to all. munist party that the fashion statement carries as much weight as the politburo communiqué. In recent days, Jiang Zemin, party leader and anointed heir of Deng Xiaoping, has been gracing public meetings in an off-khaki Mao suit. Both the colour and the cut of Mr Jiang's outfit provide important hints about the shifting strength of factions and the direction of

Khaki is a concession to the People's Liberation Army, whose support is essential to the durability of a Chinese leader. And the high-collar is favoured by elderly conservatives, whose retro taste in clothes matches a political philosophy steeped in the past glories of the Communist party. Strategic changes of clothes

have marked the turn of political trends over two decades of Chinese reform. In the cruelty and chaos of the Cultural Revolution. there was no choice. The western suit was evidence of decadence and an invitation to be purged. What westerners know as the Mao suit, which Chinese call the zhongshanfu in honour of an earlier revolutionary, Sun Yat-sen, was standard issue for safety-conscious party leaders. In the 1980s, when confidence was growing, leading reformers were willing to take the son to worry about his clothes.

A Service of the service of the service of

Outside the leadership compound, Chinese began experiments with loud ties and wool-blend fabrics. Hemlines now rise and fall with

the tide of secular fashion. But the sartorial struggle goes on within the Communist party. After the Tiananmen tragedy in 1989. Mao-suited conservatives dominated. At the onset of other campaigns against "evil winds", "spiritual pollution" and "bourgeois liberalisation", reformers found it convenient to return to the wardrobe and prove their political purity by stealing their opponents' clothes.

Apart from the traditional tunic, Mr Jiang, by Chinese standards a middle-of-the-roader, has acquired the rhetorical accoutrements of conservatism. Suddenly, he is alarmed by "cultural trash" and insistent that the country not "sacrifice ideology" for economic

growth. There is obviously conflict in the Communist party. It could be that unreconstructed conservatives have mustered the numbers to threaten economic policy. It could be that Mr Deng is very close to death and the succession brawl has begun. China remains unpredictable and, as the next emperor, Mr Jiang has good rea-

Douglas Hurd says that pressing ahead with a single currency on the present timetable could damage the wider aims of the European Union

ome of us who have worked for the coming together of the peoples of ahly make a request to those who manage Europe. You should no longer make support for a single currency the overriding test of support for the European

The fathers of the European Con munity believed in the doctrine of the "great leap forward". It was not enough for the European Community - now the European Union - to make gradual progress step by step. Such steps would end in nothing. Instead, the imagination had to be caught at intervals by some dra-matic move forward, with a clear timetable. Thus the European Community was born, and later the sin-gie market. Thus, the concept, the criteria and the timetable for eco-

agreed at Maastricht. It was not seriously argued on economic grounds at the time of the Maastricht conference that a single market required a single currency. The single currency was devised in a sincere and honourable way as the next political leap forward. There was no repetition of the arro gant mistake made at Messina in 1955 when the UK refused to take any part in preparing the Common Market. This time the UK is part of the preparation of the project but, thanks to John Major's opt-out, not

nomic and monetary union were

committed to the outcome There is now a muffled cry in unexpected places either for post ponement of the timetable or dilution of the criteria for monetary union. Dilution is difficult because although some sophisticated Ger mans worry about too strong a D-Mark, German public opinion fears that the Euro-mixture is too weak. Postponement is difficult because the timing is in the treaty and the signatures on the treaty were powerful and determined. I do not underestimate the strength of

this honourable determination. It is not logical for the UK to request a postponement because the UK has no commitment to join. It is not at all easy for those who wish to join but may be unable to ask for a postponement because this looks like a confession of weakness. But someone has to face reality. All have tactical and political difficulties. But the Germans are best placed without humiliation to sug-

gest postponement.

The reasons for the cry are clear enough. Instead of unifying the Europe of 15, the Emu proposal divides it into three clubs. There are those which, by the beginning of 1998, will probably be both able and willing to join a single currency in 1999. There are those which will be willing at that date. Finally, and most poignant, there are those which are anxious to join, but who will not be able to meet the criteria if the treaty stands as it stands today and is interpreted with reasonable rigour.

Second, the relationship between member states which will be in the monetary union and those which will be outside it is now to be examined. It was not examined at Maastricht because the assumption was that at least all the important states would be in. Unless this study is agreed and successful, there is a danger that the single market itself might begin to unravel. What had been devised as a leap forward in unity would then become an angry retreat in division.

Third, the timetable for monetary union falls at an awkward stage in the economic cycle. Growth is slowing across Europe, unemploy-



Hold fire on monetary union

ment is a main preoccupation. It is good in itself to reduce government deficits and public debt and to keep inflation under control. It is a ludicrous paradox to see some British economic commentators, known for their rightwing virtue, beginning to preach vice to France in the form of deficit, debt and devaluation - simply because virtue is now identified with Germany and the Maastricht treaty. Rational British Conservatives can see in what Alain Juppé is trying to do some of what we are glad to

have done ourselves. But these necessary reforms are best accomplished by national persuasion on a national timetable. Such flexibility is not available to those whose main priority is to join the single currency on the timetable in the treaty.

Fourth, after convergence, what?

Nothing in the treaty defines the morning after. A distinguished Italian told me this month it was possi-ble that with a great effort Italians might train themselves down to the necessary weight to qualify one day for the match - but everyone knew that the day after there would be a great rule-breaking feast. Expecting this danger, Mr Theo

Waigel, the German finance minister, is now devising a fitness club which would keep everyone under-weight for ever. This club is not in the treaty. Its underlying thought would be widely and deeply unpopular in practice.

If we all continue as we are the European Union as a whole is in danger of falling into what at Masstricht was simply the Danish delusion. I remember well the Danes chiding the British negotiators then because we were so slow and so hesitant, and insisted on so many changes in the draft. We were told that the Danes had overcome all these hesitations. But those who told us were wrong about one basic element, the Danish people, whose initial rejection of the treaty came close to derailing it.

We hear the same voices again today. Sometimes they politely chide those who hesitate for lack of leadership. But leadership in a democracy consists of being one step ahead of your followers. If you are 20 steps ahead, nobody follows. It is said that postponement would mean that Europe was condemned to stagnation or even disintegration over the next few years. That is not so. It arises from the fallacy that at any one time there is only one test of European success. On the contrary, member govern-

ments can put forward an agenda

for Europe of huge significance. We have to enlarge the Union to the east as we have promised. We can no longer pretend that half of surope is the whole of Europe, or that Prague, Warsaw and Budapest are not as European as Rome, Paris

Beyond those countries lies some thing else. At the time of Maastricht it was possible to imagine that Russia would evolve fairly smoothly towards liberalism in political, economic and foreign policy. We see now, by contrast, that the confused turbulence of Russia is likely to pose the greatest single problem for

I see no reason of interest or instinct why there should not be an agreed common European policy towards Russia. We do not need a new treaty for this. We need the will and the wit to use the provisions of the existing treaty in a con-sistent and professional manner. We would then be a valid partner for the US in tackling what is likely to be our great single joint problem. None of this was apparent at the time of Maastricht. It is apparent now, and we should act on it.

have to complete the single market and show its importance to our citizens. We are all committed to the

his does not mean the creation of a superstate, or the gradual and indefinite transfer of authority to Brussels. It means the intertwining of the lives and work of our citizens, our profestive competition, the elimination of state subsidies, the implementation of the Gatt agreement and privatisa-

There is plenty of detailed work which is not complete. For this purpose we need the supranational nstitutions which exist - the Commission, qualified majority voting in spheres which it already occupies, a court, a directly elected par-

Those who have felt in their nearts that the single currency was becoming the wrong test for the success of the EU have, until recent weeks, been mainly silent. We felt perhaps that, if we spoke out, we would give comfort to those whose aim is quite different - namely to reverse the processes of Europe, to win votes from xenophobia, to nar-

But opponents of the EU in several countries will gain strength above all if the leap forward to a single currency finds no solid ground at the other side of the to be modified - the European Defence Community in the 1950s and the first plan for economic and monetary union in the early 1970s. Perhaps Europe is now sufficiently mature to see that the concept of the great leap forward is flawed.

National governments are judged at elections, not by what they promise for the future, but by how they are performing in the present. At present the European Union lacks something which we can and should supply between now and the end of the century: a link which the citizen welcomes between the work of the EU institutions and his or her daily life, a sense that the security and prosperity which the KU has brought is well founded and can be

The author was UK foreign secretary between 1989 and 1995, and is now deputy chairman, NatWest Markets

OBSERVER.

Hole in the thesis

■ Just when his faction-ridden seven party coalition seemed finally to be coming to heel, Thai prime minister Banham Silpa-archa has fallen into trouble for his extra-curricular activities or non-activities.

The latest kerfuffle concerns a masters thesis for a law degree which Banharn somehow found time to submit last year - in between masterminding a government collapse, gaining victory in the subsequent election, organising a coalition and assuming power. That's not to mention the handful of foreign trips he undertook.

The thesis tackled political party funding and had two princips flaws. First, the author quoted extensively from French-language material for which no Thai translation exists. Banharn speaks no language other than Thai. Second, passages of the thesis

were found to be identical to a research paper written for the interior ministry by Banham's thesis adviser, Pokin Polakul, who speaks fluent French and holds down a ministerial position in Banharn's own office. Surely Banharn didn't have

then cobbled together from hits of his own work? It would be a pity, because

Pokin write a thesis which Pokin

Banharn, who has been known throughout his political career as a "walking ATM" because of his propensity to dole out the cash. probably knows more about the intricacies of political party funding than all of his profes

Citizen Hanson Hanson's dramatic decision to break itself up into four companies is rather at odds with the corporate

adverts it has been running on US TV recently. The ads, extolling the benefits of a conglomerate, have pozzled US viewers. They use the plot of Citizen

Kane, where the March of Time newsreel tries to understand a dead capitalist's thinking by examining his investments. The black and white footage shows the executive buying businesses in bricks, coal timber and so on. But what asks the newsreel's editor. was the common theme? Cut to the dying man's final whisper... Hanson

Foxy Ailes ■ When Rupert Murdoch

announced last November he was launching a 24-hour news network to rival Ted Turner's CNN, he said that the Turner channel had moved "further and further to the left" in recent years. Now he is restoring the balance by hiring

Roger Ailes to run Fox 24 hours Alles has been in television for more than 30 years, starting in 1965 as a 25-year-old "prop boy" on one of the early US talk shows. But he has also had a sideline in political consulting, advising three US presidents – Nixon, Reagan and Bush

Asked yesterday if the programming on the Fox news channel would be more right wing, Ailes replied that he had quit politics years ago. But he planned to bring back objectivity where it was lacking, he said, through "fine, balanced journalism". Which is probably a "yes".

No quavering At least Gerd Afbrecht, the embattled chief conductor of the Czech Philharmonic Orchestra who quit yesterday, went with a

The elegant but imperious Albrecht, who has fallen out with everybody who matters in Czech cultural circles, made sure he advance. He was rewarded with an audience that packed Prague's Rudolfinum concert hall, home to the CPO.

To the massed ranks of Czech and German media he read a prepared statement that shed little light on the reasons for his departure - which appeared to have a lot to do with the difficulties of being a German in

charge of a pillar of Czech culture. Still, it was quite a performance, promoting one participant to Kohl, or Vaciav Klaus, played their audience quite so masterfully. Perhaps a career change is in

Which platform? Roger Bootle, group chief economist of HSBC, obviously did a splendid job of denouncing the "trains, boats and planes", school of economic theory (to whit if it's leaving, you'd better board it,

regardless of its destination). At the first City Debate on Monday at the Mansion House sponsored by the Futures and Options Association, Bootle and team were speaking against the motion that the City's best interests were served by the UK ... joining a putative single currency. The audience were polled before and after the debate for their own

Bartier in the day, Bootle had confided he was not looking to. effect much of a swing, expecting opinions to be "firmly entremed". In the event, the City punters proved to be a remarkably flexible

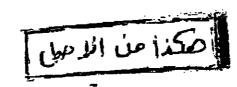
From 37 per cent for and 51 per cent against the motion, the audience moved to 24 per cent for, 73 per cent against: But then everyone knows the City only holds short-term views.

100 years ago

The Phasens Lurissa railway
At the London Banks-intry Court
yesterday, William Eckersley,
railway contractor, obtained an order of discharge subject to a suspension of three years from November lest. The bankrupt, a member of the Institute of Civil Engineers, was concerned in the construction of the Piracus Larissa railway for the Greek Government, and with others claims about \$453,000 in respect to the work done on that railway. He attributes his failure to the action of the Greek Government and the mon-settlement of of the claim upon the contract

50 years ago

President orges quick action Calling upon Congress to ratify the Anglo U.S. loan agreement, President Truman stressed that the loan of \$337,508,000 was essential to the life and work of the British people. The President said it would at the same time said it would at the same time "keep open the market for those surpluses of U.S. goods which are customarily expected to the U.K." Discussing the clause in the loan agreement of interest in waite the payment of interest in ware the payment of interest in any year in which Britain fields, slid has an innierpain dollar balance, the President said. It is not to our sidyantees to press for payment of interest when payment is impossible, and thus force default and a crombling of international relations."





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Brussels faces rough ride Fed may over merger vetting plan

Plans by the European Commission to extend its powers to vet company mergers are likely to get a rough reception from member states when they are unveiled today.
Officials say that, after exten-

sive consultation with industry, they believe that too many mergers affecting the EU's single market fall outside the scope of the Commission's merger taskforce. Under existing rules, mergi

are referred to Brussels only if the combined global turnover of the companies involved is more than Ecu5bn (\$6.35bn) and at least two of the merging compa-nies have a combined turnover of more than Ecu250m inside the

A green paper by Mr Karel Van Miert, the competition commissioner, proposes a reduction in the thresholds to Ecu2bn and Ecnicom. The paper is expected to be endorsed by fellow commissioners at today's meeting of the EII's executive body.

bid by the British motor components manufacturer T&N for Kolbenschmidt, a leading German piston manufacturer, would automatically fall under the scrutiny of Bruss

The bid has been rejected by the German authorities. Brussels has been asked for its opinion, but the combined turnover of the two companies is too low to qualify for an automatic referral. Certain member states - notably Germany and the UK - are likely to oppose a steep reduction in the thresholds, preferring to keep merger policy under the control of their own competition

"We are not convinced that by lowering the thresholds, the Commission would catch mergers with a truly community-wide impact," said a British official. Diplomats also doubt whether the Commission has the

authorities.

member states, the Commission has prepared a fullback position which would give it the authority to vet mergers involving more than one national competition

This would promete the princi-ple of a "one-stop stop", allowing merging companies in-notify just-one competition anthonic rather than all the relevant national authorities in some EU mergars, as many as four or five bodies.

"If you are not going to reduce the thresholds then you have to maintain the one-stop shop prin-ciple by alleviating the burden on industry of multiple notifica-tions," said one industry execu-

this option would be difficult to organise as the thresholds by which mergers are caught under national rules vary among mem-

Dispute at EU over contract

resources to deal with an extra 65-90 cases a year, which would almost double its workload. More room for your rouble in Minsk than in Moscow

By Richard Adams in London

Bowls of fruit and free shampoo are the usual gifts in hotel rooms for business travellers. But not in Thilisi, capital of Georgia, where the \$264-a-night Metechi Palace Hotel provides a free candle for guests, as electricity in the evenings is rare.

Power supplies are more regular in Moscow, but 24 hours spent there will set back the average business traveller \$548, making it the world's most expensive city to do business in, according to an international survey published yesterday. At the other end of the scale, a day and night of business in Minsk, capital of Belarus, costs only \$125.

The survey by EuroCost-Luxembourg, an agency connected to the European statistical

Olympics

Continued from Page 1

double room in a city centre hotel, lunch and dinner for one, two short taxi rides, telephone calls, drinks, laundry and a daily

The difference between Minsk and Moscow lies in the cost of accommodation. The four and five-star hotels that have sprung up in Moscow since the end of the communist era are the most expensive in the world: an average of \$390 a night for a double room. In Minsk, the standard of hotels is poor, reflected in their average \$96-a-night tariff. The restaurants of Minsk are mediocre, international telephone lines are difficult to find, and taxis are rare, according to the survey.

Other former Soviet regional capitals are now among the world's cheapest destinations. The Armenian capital, Erevan average cost of one night in a than Albania's capital, Tirana rates.

(\$126), a dubious difference since food shortages in Erevan are common, and water and electric-

ity supply is intermittent. The study also surveys the costs of taxi rides from airports to city centres. Chespest is the 19km journey to the middle of Suva, Fiji's capital, for only \$4, while the taxi fare of \$75 from the university town of Oxford to London-Heathrow airport is \$2 more than a hotel room in Vilnius, cap-

Tokyo, traditionally the most expensive destination, is second most expensive at \$516 a night, making London (\$352), New York (\$342) and Beijing (\$323) a snip in

Rusiness Transl Ermenses Guide Ecu350, published by EuroCost-Luxembourg, I rue Emile Bian, mbourg; (352) 498458.

FT WEATHER GUIDE

Continued from Page 1

"these decisions were taken based on the EBU's experience and expertise and in the interest of Olympic Movement and all viewers in Europe."

The BBC said the Olympic

Games would be safeguarded for all UK television viewers until well into the 21st century. The IOC decision partly reduces pressure on public ser-vice broadcasters who have been

facing increasing competition from subscription television operators such as BSkyB.

The IOC decision comes as the buying of sports rights is being examined under EU legislation. Hanson to split into four

ager said: "The company in meetings with its shareholders has

been told they are unhappy with its structure. Hanson's shares closed 7p higher at 211%p. One reason for the modest rise was concern about dividends. Hanson said aggregate dividends would be maintained this year, but was

silent on subsequent prospects.

It said it expected each company to pay a dividend "relative to other companies within its sec-tor and to its financial strength and structure". Hanson's bonds fell in US trading last night after Moody's, the credit rating

agency, said it was reviewing its rating for possible downgrade. National Grid shares jumped 12p to 205%p because Hanson's holding will no longer face a

forced sale under the rules of the Grid's flotation. Hanson embodied the UK corporate style of the 1980s. Its name rarely appeared in print without the word "acquisitive". But it has fared less well since because it could find fewer acquisition opportunities of a material size, UK accounting changes made takeovers less attractive and its

cashflow slowed. Hanson will be advised on the mergers by N.M. Rothschild

cut rates after poor **US** sales figures

The chance of an early cut in US interest rates rose yesterday fol-lowing the release of unexpect-edly weak economic data on conrimer confidence and sales. The data were released shortly before Federal Reserve

governors and regional presidents began a two-day strategy meeting in Washington.
Some economists said the Fed was likely to cut rates as soon as today, at the conclusion of the meeting. Others said the Fed might wait weeks for finither con-

firmation of economic weakness. The Fed sut rates by a quarter point to 5.5 per cent last month. Hopes of a further rate cut lifted

US markets yesterday.
In early afternoon trading the Dow Jones industrial average was up 48.06 to 5,353.03, while the US long bond was up just under three quarters of a point at 111%, to vield 6.040 per cent.

The Conference Board, a business analysis group based in New York, said consumer confidence fell 12 points this month to 87.0 the lowest level in more than 18 months.

The Commerce Department said retail sales rose 0.3 per cent last month, marking a lackiustre Christmas retail season. Pinancial markets were expecting a sales gain of about 0.7 per cent. If the Fed decides to ease mone

tary policy, the likeliest move is a quarter point cut in the federal funds rate - the rate at which banks lend to each other – to 5.25 per cent. However, the Fed could opt to lower rates by a half point to 5 per cent. A half point cut would require a parallel cut in which the Fed lends to banks -

which is currently 5.25 per cent. The Fed's decision will be based largely on its assessment of economic trends. If it believes the economy is weak, it is not expected to delay a rate cut

balancing the federal budget. With inflation apparently subdued, the case for easing policy is that economic growth appears to have slowed to an annual rate of perhaps 1.5 per cent, below the economy's estimated potential of hist over 2 per cent.

Ms Rosanne Cahn, a senior economist at the New York office of CS First Boston, a financial services group, said a quarter point cut in rates would "both address past softness and serve as a pre-emptive strike against

further fragility". The Conference Board said the large drop in consumer confi-dence might have partially reflected unusually cold weather and the recent shutdown of the federal government.

However, looking ahead six months, consumers were "considerably less optimistic now as compared with December".

THE LEX COLUMN

Hanson's handsome move

The breek-up of Britain's archetypal conglometers. Handon, is a sensible retreat from its long-esponsed philosophy of diversification — and a useful party or diverging and a manning divi-dend policy, it may not resp the same rewards for shareholders as the demonsters of FTT, Bacal and, eventu-ally, Thorn EMI. There are no high growth businesses that have been hid-den within a houseth. den within a behemeth, as with Thorn and Racal, Indeed, the sum of Hanand Racal Indeed, the sum of Han-son's peris could arguably be worth less than the whole. The demerged group will carry multiplied head effice costs and an increased interest and tax burden, and its chemical profits will shrink under US accounting poli-cies. Nonetheless, Hansen is making the heat of a had less

the jest of a bad lot. Having failed to inspire a stock market recovery through the demarger of USI and the acquisition of Bastern Group, Hanson was running out of ns. It suffers from weak cash flow, exacerbated by an extremely high dividend payout. And there is the sion, with hints that Lord Hanson wanted to support a dynasty; both his son, Robert, and Mr Christopher Collins - a niece's husband - gained recent promotions. The datnerger es both concerns. Dividends will be paid in line with sectoral peers, pointing to an overall decline - some thing which is strategically wise, but would have burt old Hanson's ghares. And the family is left controlling the residual business, which looks like another conglomerate in the making. But shareholders stand to benefit

from the deal, in the long-run, management focus should improve performance. And more immediately, imperial Tobacco and the chemical business look like potential bid targets and should attract market ratings to match. It is not yet possible to evaluate the tax implications of the break-up. But assuming the costs are not operous, Hanson is right to bite the bullet.

Germany

The German government's stimulus package reads like an industrialist's wish list. It includes cuts in taxes and social security contributions, deregulation of the economy and more venture capital for young companies. There is even talk of opening up the electricity and gas markets to competition, and further privatigations. The real question is how many of



into practice. Germany bas a tendency to abandon unpalatable structural reform at the first sign of renswed economic strength. But with rising unemployment, uncompetitive labour costs and a faltering pension system. the economy urganity needs reform. Yesterday's package is at least a sign that the politicians have begun to

Fortunately, the corporate sector is not waiting for them. Groups from Daimler Benz to Hoechst and Siemens are focusing increasingly on improv ing profits and cash flow. If that trend continues to spread, the scope for improving returns across Germany's corporate sector is huge. The 8 per cent rise in the German stock market this year - making it the best per-former in Europe - suggests investors are beginning to recognise this. Successful economic reform should conthme to underpin valuations.

Repsol

investors have a very simple reason for snapping up the Spanish govern-ment's fourth offering of Repsol shares. By international standards, they look a bargain. At less than 10 times this year's earnings, they are much cheaper than most oil stocks. A rating as low as this is undes erved. Repsol's dominance of its domestic markets is formidable, and these are growing healthily by Europe's sluggish standards. True, the company is as emosed as any to volatile chemicals markets. But a strong position in Spain has given Repsol some cushion from the overcapacity problems which have plagued Euro-

provide some high-quality earnings growth: domestic gas demand is expec ted to double by the end of the decade, The snag is that all this has long been true, but the share price has obstinately failed to reflect it. Indeed, the shares have underperformed Rep-sol's European competitors for the last two years. Partly this is because rat-ings in the Spanish market tend to be low by international standards. Furthermore, the prospect of further offer-ings has dogged Repsol's share price. By choosing, for no obvious reason, to retain a 10 per cent holding - on top of its golden share – the Spanish government risks perpetuating this problem. Still, investors are right to expect Repsol's underlying strength to shine through - in the long run.

Electrolux

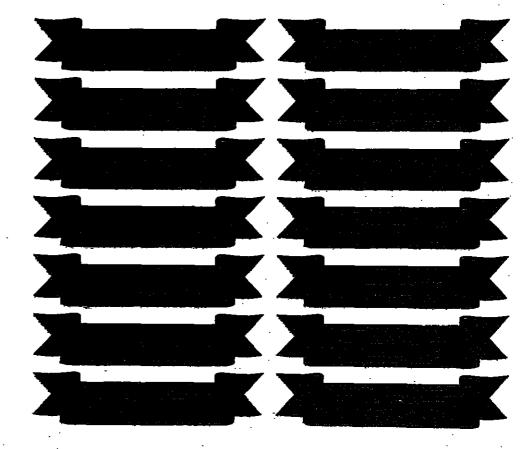
Electrolux's 1995 results give little cause for cheer, notwithstanding the upward spike in the Swedish household appliance maker's share price yesterday. Most likely, investors were simply relieved that at least profits did not disappoint this time. And their expectations had already been significantly dampened down in the wake of Whiripool's profits warnings last year In reality, Electrolux's decision not to increase its dividend reinforces the company's gloomy outlook: demand deteriorated in 1995, and the trend looks set to persist in 1996. Furthermore, margins are under pressure. This is partly a result of its acquisi-tion of AEG from Daimler-Benz, but also reflects the company's inability to pass on higher raw material costs to

Business is particularly had in the US, where turnover at Frigidaire fell worryingly. But European markets are also weak. The company's strategy of focusing more attention on emerging markets makes sense, but will have little short-term impact on earnings, Similarly, greater concentration on the top end of the product range should help preserve margins in the long term, but is pushing up costs. A strong performance at Gränges, its aluminium business, will be hard to sustain as the cycle turns.

Electrolux shares, currently trading at around seven times prospective earnings, do not look particularly expensive. But since it is difficult to see how the company will generate much earnings growth, there is still little reason to buy the stock.

SBC Warburg: "promises to create a European powerhouse."

Euromoney, 1995



Promise kept.

本 SBC Warburg

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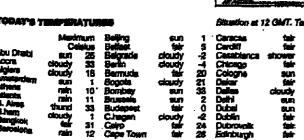
Europe today

High pressure over southern Scandinavia will continue to produce cold and dry conditions in central and m Europe. Eastern Germany and Poland will be cloudy, but elsewhere it will be surrry as temperatures rise just above freezing. A low pressure system south of Greece will cause rain in western Turkey and Greece. eccompanied by a north-easterly gale

North-east Europe and Russia will have colder air and snow. The Alos will be ceim with sunny periods on the slopes,

Five-day forecast

High pressure will move towards the ick See, resulting in dry conditions over Greece and Turkey although the north-easterly gale will persist. Fisin will spread from the Portugese coast over Spain tomorrow and Into France on Friday. Hazvy showers may cause flooding in Portugal on Friday. Winds will elacken and cloud will gather in north-western Europe. The risk of precipitation will increase during the weekend.



No global airline has a younger fieet. Lufthansa





15

IN BRIEF

dsome m

Apple slides as bid hopes fade

Apple Computer's shares fell sharply as investors hopes of an imminent takeover bid for the struggling US personal computer company faded. Widelyrumoured talks between Apple and Sun Microsystems, the leading computer workstation manufacturer, are believed to have ended without agreement Page 17

PolyGram withdraws offer for Goldwyn Negotiations over the future of debt-laden Samuel Regulations over the fitting of defricating Samuel Goldwyn, the Los Angeles film company, have run into difficulties, with the reported withdrawal of a partial offer from PolyGram, a subsidiary of Philips of the Netherlands. Page 17

Provisions send Bourgues into the red Bourgues revealed big provisions for its industrial holding, telecoms and property businesses, forcing the French conglomerate into losses of about FFram (\$783m) for 1995. Page 16

Fargell shareholders threaten revolt Owners of at least 10 per cent of the shares in Far-nell Electronics of the UK are planning to vote against a proposed £1.85bn (\$2.84bn) takeover of the US's Premier Industrial Corporation unless Farnell and its advisers can dissuade them ahead of an extraordinary general meeting next month. Page 24

Chilean flower may join war on peats A yellow-flowered plant from the Chilean Andes could be about to revolutionise attempts to fight devastating pest damage to crops. Page 25

ot-the Hansar demens

Electrolux downbeat despite 11% rise

Electrolux of Sweden, the world's higgest maker of household appliances, yesterday painted a gloomy picture of its prospects in the first half of 1996, saying consumer confidence remained fragile in its main North American and Emphres markets. North American and European markets. Mr Leif Johansson, chief executive, said the downturn would continue a pattern of lower demand for white goods - a key

indicator of broader consumer confidence that began in the first quarter of 1995. His comments came as the group revealed an 11 per cent rise in underlying pre-tax profits to SKr4.0bn (\$580m) for 1995 after a year when market conditions

steadily worsened. In the fourth quarter, when demand for white goods fell in the US and Europe and the company was hit by the stronger krona, pre-tax income fell to SKr1.22hn from SKr1.28hn.

The gloom had been discounted by the market, helping the group's B ahares to rally by SKr12.5, or 4.3 per cent, to SKr289. Klectrolux said its 1985 performance was hit by higher raw material prices - which could not be fully offset by higher sales prices - and intense competition due to slowing demand. But volumes held up and it reported higher market shares in Europe and North America.

The worst quarter was the fourth, when European white goods demand feli 1 per cent and North American demand dropped 1.9 per cent. The German market, the group's largest European market, fell 2 per cent with most of the continent's other markets also lower. An exception was the UK and Ireland, where demand rose more than 10 per cent.

"We would expect the first half of 1996 to be slower than the same 1995 period, with the European market coming down a little more than North America," said Mr Johansson. "The market I am most concerned about is Germany. Even though German consumers have received considerable increases in salaries, they are taking a cautious view on how to spend it,"

For the full year, underlying group operating income rose 5 per cent to SKr5.3bn and sales increased from SKr108bn to SKr116bn.

In household appliances - the biggest of the group's four divisions - operating income was steady. However, it was held back by problems in Frigidaire, the group's main US unit, which was hit by higher raw material prices and the costs of

product launches. ironically, the main lift to group operating income came from the group's indus-trial products division, which includes the Gränges aluminium unit it plans to sell. In the fourth quarter, Electrolux's operating income fell to SKr1.41bn from SKr1.55bn. The group proposes an unchanged dividend of SKr12.50 per share.

Fiat chief likely to resign in March

By John Griffiths in London

Mr Giorgio Garuzzo, chief operating officer of Italy's Fiat industrial group, is understood to have told friends he has no option but to resign when group managing director Mr Cesare Romiti takes over as chairman from Mr Gianni Agnelli in

March, as currently scheduled. Mr Garuzzo, 57, who as chief operating officer has been Mr Romiti's deputy for nearly five years, was once seen as the obvious successor for the chief executive's role. Instead, Mr Garuzzo has been hypassed, with the job going to Mr Paolo Cantarella, 51, head of Fiat Auto, the group's

cars division. It is known that relations between Mr Romiti and Mr Garuzzo, a 20-year veteran of Fiat, have deteriorated in the past two years as Mr Romiti has been diverted by political scandals and their views on strategy for Italy's largest automotive and industrial group have diverged.

In December, Turin magis-trates asked for Mr Romiti to be sent for trial for alleged links with illegal financing of political parties. The issue is unresolved, with Mr Romiti potentially facing further questioning.

Some Fiat watchers believe Mr Cantarella's appointment has dangers for the group because, in his wider role, he might be unable to continue to oversee closely the regeneration of Fiat's car ranges, which underpin the current improvement in the erom's fortunes

Mr Cantarella has won widespread praise for several new iodels since his appointment by Mr Garuzzo in 1991.

A contrary view is that Mr Centarella plans to retain a close watch over the cars division by appointing as its new managing director a relative outsider, Mr Roberto Testore, head of Fiat's Coman automation subsidiary. Mr Testore's appointment will be confirmed in Fiat's annual letter to shareholders today.

Companies in this issue Advance Bank **KPMG** 17 Kentucky Fried chick 16 Lloyds Chemists Banque Audi 17 MCI Communications Banqua Paribas Memil Lynch Metrobank Boehler Uddeh Metromedia Bombarder

News Corporation OMV Outokumpu Coppe 24 Pan Am
7 Pearson
16 Philip Mortis
16 PolyGram
15 Quality Software
15 RJR Nabisco

Ramsden's (Harry) SelecTV Standard Chartered

Telefonica del Peru Thyssen Tomkins UniChed Vauxhall Vodafont

24 Westinghou 8 Wyko 24 Yamaha 16 ZPT Krakow

Market Statistics

Bouygues

Cariton Comma

Crédit Foncier DSM

Digital

EU LINY

Ericsson

Fiat

Forte

Gehe

Gates Rubber

Gulf Canada

Hasbro

J P Morgan

reated

General Motors Générale des Eaux

Electroliza

FT-SE Actuaries indices Annual redorts service Benchmark Govt bonds Foreign exchange Bond futures and option Bond prices and yields London share service Managed funds service 30.31 intéends announced, UK New tell board issues Sias currency rates New York stare service 34,35 Eurobond prices Fixed interest indices Short-term Int nates LIS interest rates

25 World Stock Markets

Chief price changes yesterday

		-				
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Red Bink Scot	565	-	22	Sinocas His	28 -	0.1
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CE.T Photo	12%	+	1	SOMEONE	60.5 +	5,5
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Many Vant and	d Tamori			t 12.300m.		

quit home computer market

Digital to

By Louise Kehoe in San Francisco

Digital Equipment, the US computer group, is to stop selling home computers to refocus the retail side of its PC activities on business users. The move comes amid intense price competition and falling profit margins in the consumer end of the PC market.

Digital's PC business has grown rapidly since it launched new products and renewed marketing efforts in 1994. Analysts estimate its global PC sales in its second quarter to December at about \$680m. Sales rose 40 per cent and the unit broke even for Sales of Digital's Starion home computer products, offered only in the US, accounted for less than 10 per cent of its PC sales last quarter, said Mr Bruce Claffin, general manager of the PC unit. The company would phase out

this product line. Digital planned to expand the availability of its businessoriented desktop and notebook computers through retail channels to reach home office and small business customers, he

it is the annual time of reckoning

for UK pension

fund managers.

They know their

And should not the average

manager have performed even

better? After all, despite a pass-

stumbled badly in global equities.

The serious underweighting of

said.

Former vice-chairman plans to start low-fare services across US this summer Pan Am

poised to make a return

By Richard Tomkins in New York

A former US airline executive will attempt to resurrect one of the world's most famous brand names this year by relaunching Pan Am, the US airline that collapsed in 1991 after years of heavy_losses.

The new Pan American World Airways will try to establish a niche for itself in the highly competitive US air travel market by vices between the east and west coasts of the US.

The company aims to start flying from New York to Chicago, Los Angeles and San Francisco this summer with three Airbus A-300 wide-bodied jets. It expects to have eight A-300s in use by the end of its first full year, all of

Pan Am says its fares will be about half those charged by the big carriers because it will have the lowest operating costs of any airline in the world.



Martin Shugrue: 'best, most well-known name in the history of commercial aviation

support services such as maintenance and catering, so avoiding the cost of owning extensive infrastructure

tive of the new company is Mr Martin Shugrue, an airline executive who served with the old Pan Am between 1968 and 1968, eventually becoming vice-chairman. His partner is Mr Charles Cobb, a property developer who bought Pan Am's name, logo and trademarks from the liquidators for

\$1.3m in 1993. The two men plan to form the new company by merging it with a Frost Hanna Mergers, a Floridabased company quoted on the

The company will contract out ties Dealers Automated Quota-

tion system (Nasdaq). They said Frost Hanna had available cash of \$10m and other private investors had committed

Frost Hanna's shares shot up \$2% to \$6% in early trading yesterday, a rise of 53 per cent. Mr Shugrae, who last year stepped back from plans to resurrect the defunct Eastern Air Lines, said he had chosen to press ahead with a Pan Am revival because it was "the best, most well-known name in

the history of commercial avia-He acknowledged that the big carriers would fight back against

but he said Pan Am needed to garner only a small percentage of the market to produce profitable load factors. In addition, he said, the lower fares would create

Pan Am also expects to earn some of its revenues by forming links with small to medium size international carriers, which at present lack alliances with other US carriers. These international airlines will carry passengers to and from the US "gateway" airports, where they will transfer to or from Pan Am's domestic

Mr Shugrue said Pan Am would consider international expansion "as we move into the

National Association of Securithe new afrline with lower fares,

UK pension fund managers feel the Wall Street lash

Barry Riley

clients will be oleased with an average rate of WM says 3.4 per cent). In propor-tion to Wall Street's capitalisa-tion, a full weighting would have 20 per cent for 1995. But there is the usual spread of triumph and gloom for individual managers.

been 10 per cent. That startling underexposure cost 5 percentage points of return on overseas equities in 1995, and able showing in UK equities, just cut more than 1 per cent off total about all the managers have portfolio returns. So the index fund marketing men have been presented with the simplest of sales opportunities.

Wall Street, where the market In terms of individual managreturn in sterling terms was 38.4 per cent (though UK pension fund managers only achieved 34.9 per cent) has been very costly. ers, the notable event of 1995 was the fall from grace of PDFM, the second-biggest firm after Mercury In fact, British funds were net Asset Management. At the end of sellers of US equities all year, 1994, PDFM, a UBS subsidiary, had been flying high, being the best manager over five years and and preliminary returns from Caps, one of the two performance measurement agencies, indicate a having beaten the median by year-end exposure of just 3 per cent of total portfolios (the rival more than 4 percentage points over one year.

In 1995, however, PDFM margin. It was underweight in

appears to have underperformed stocks. Still, PDFM's long-term the median by at least as big a results remain good. The more opportunistic MAM seems to have found conditions much more to its liking recently. citing index-linked gilts. More-However, it runs several different over, its value-oriented style in

Under-exposure cost 5 percentage points of return on overseas equities

equities went badly adrift as the markets chased growth stocks and takeover speculations. Once in every cycle value is bound to have a bad year as investors fear an earnings slow-

down and shift towards growth

stocks, but the last nine months

of 1995 saw an exceptional degree

styles and its funds' performances have, as usual, varied Across the industry as a whole

returns are said to have varied between 25 and 14 per cent. Some say this relatively wide range is a sign that managers are moving away from the median-hugging styles to which most of them have become attached since the 1987 stock market crash. But PDFM has pointed up the risks. as well as the rewards, of being a

Although the selection of equity markets and styles was critical last year, the choice between equity and bond expo-sure, oddly enough, was not. The FT/S&P Actuaries World Index returned 20.5 per cent in sterling but the J. P. Morgan Global Government Bond Index managed 20.1 per cent in the same currency (19.3 per cent in dollars).

Consultants Frank Russell's universe of global bond managers (usually acting for US clients) appears to have clawed its way back in the second half of 1995 from a poor patch, probably

aided by the recovery of the dollar against the yen. At any rate, the median manager outperformed the JPM Global Index in the final quarter and achieved a return of 19.5 per cent in dollars for the year.

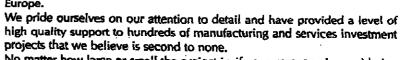
The traditionally bond-hating

UK pension fund managers are also increasingly attracted by global fixed income and, according to Caps, had an extraordinary 9.1 per cent exposure to this asset class by the end of 1995, although this may be a distortion caused by an as yet incomplete (42 per cent) sample.

It is interesting that both Caps and WM are showing that UK pension funds now have a total exposure to bonds (overseas, UK and index-linked) of about 16 per cent, the highest for 10 years. That is, arguably, an inevitable consequence of the torrent of government bond issues - heading, according to J. P. Morgan, for yet another record in 1996 of more than \$1,500bn gross (\$550bn in the global index.

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EUROPEAN NEWS DIGEST

DSM 'on target' to meet expectations

DSM, the Dutch chemicals group, said provisional figures for 1995 showed that net profits before extraordinary items were approximately double the FI 527m (\$317m) reported in 1994. The preliminary figures, if confirmed by definitive figures due to be released on February 29, would meet the company's full-year forecast published in October.

On October 31, DSM reported a doubling of third-quarter results and predicted that 1995 results would show the same rate of increase. The company, which gave no specific figure for 1995 results, has benefited from price increases in a number of product groups, though it warned late last year that it was seeing larger-than-expected price decreases in some plastics.

Ronald van de Krol, Amsterdam

Acquisition helps BCP advance

Banco Comercial Português, Portugal's second-largest financial group, yesterday reported a 8.4 per cent increase in net consolidated profit in 1995 to Es20.3hn (\$131m) from Es18.7bn in 1994. The results are not directly comparable because of BCP's Es308bn acquisition of Banco Portugues do Atlântico last March. Mr Jorge Jardim Gonçalves, BCP chairman, said the bank planned to raise its capital to Es180bn from Es109.7bn this year. It aims to raise Es27bn through a domestic rights issue and \$250m through a placement of preferential bonds, possibly in New York. Lisbon analysts said the planned capital increase, following

a \$500m preferential bond issue last September, reflected the financial strain involved in acquiring BPA and merging the two banks' operations. "The quality of BCP's earnings has clearly depreciated following the acquisition of BPA," said one Lisbon broker. "It is only in 1997 that the group is likely to begin benefiting from the increased earnings potential of the Peter Wise, Lisbon

Boehler-Uddeholm up sharply

Boehler-Uddeholm, the Austrian speciality steel maker, yesterday reported a fourfold increase in net income from Sch227m in 1994 to an estimated Sch1bn (\$95.7m) last year. Operating profit climbed from Sch500m to about Sch1.2bn. while sales increased 14 per cent to more than Sch18bn. Mr Claus Raidl, chairman, said his company benefited from higher prices and strong demand for high-quality steel

After going public in an initial stock offering last year. Boehler-Uddeholm promised to pay an annual dividend of Sch20 a share. The state-controlled group was forced to reduce its IPO in April 1995 because of a weak stock market, but is planning a secondary offering in the first half of this year. The further privatisation is poised to cut the stake of the state holding company OIAG from 72 per cent to less then 50 per cent, but OIAG wants to keep a 25 per cent minority interest. Eric Frey, Vienna

Cariplo foundation chief quits

Mr Roberto Mazzotta has resigned as chairman of the charitable foundation which controls Cariplo, Italy's biggest savings bank, following the four-year prison sentence given him by a Milan court last month. His decision, announced on Monday night, will enable the appointment of a new chairman to carry out the foundation's plan to shed majority control of Cariplo. Mr Mazzotta voluntarily stepped aside from his post when court proceedings started two years ago into bribes involving Cariplo's pension fund. He maintains he is innocent but said he recognised the foundation could not proceed with Cariplo's flotation without a chairman. John Simkins, Milan

Paribas shares shrug off loss

Banque Paribas yesterday blamed improper accounting for a hidden loss of about FFr250m (\$48.9m) in the accounts of its Spanish unit in Madrid. The losses related to positions taken on Spanish public debt, and would be taken in the 1995 accounts. Two operators were allegedly responsible for the loss, the bank added. Despite the revelations, Paribas shares, which had opened lower, followed the market to close up FFr4.50 at FFr284.8.

Stet seeks capital increase

Stet International, the vehicle for the Italian state holding group's investments in telecom operators, is to ask shareholders next month to approve a capital increase of L1,033bn (\$645m). The company, controlled by Stet and Telecom Italia, has pursued a policy of strong growth overseas which includes an accord this month to take a 16 per cent stake in Eptel Chile. John Simkins

Philip Morris in \$227m

By Christopher Bobinski

Polish move

Poland's privatisation programme took an important step forward yesterday when Philip Morris of the US agreed to pay the country's treasury \$227m for a controlling stake in ZPT Krakow, the country's largest tobacco plant which controls more than one-third of the domestic market.

The ZPT Krakow sale is expected to be followed by a second deal tomorrow, when Reemstma of Germany buys the Poznan tobacco company, which produces and sells onequarter of the 96bn cigarettes consumed in Poland each year. Reemstma is reported to have agreed to build a new plant in Poznan in a deal which should be worth more than \$200m in investment commitments, including the price paid for the equity in the plant.

The speed with which the final talks between the treasuiry and Philip Morris have been concluded appears to reflect fears on both sides that cabinet changes - after the appointment of a successor to Mr Jozef Oleksy, who resigned as prime minister last week would further delay sales in

Late last year, Mr Wieslaw Kaczmarek, the privatisation minister, signalled that offers then received from Philip Morris and Reemstma were too low and that some time would have to pass before a deal could be struck.

The disposal of the tobacco sector, which was first proposed in 1991, has been one of the most controversial privatisation issues faced by successive Polish governments. It was initially resisted by the Polish Peasant Party (PSL). currently the junior partner in the ruling coalition, which sought to transform the sector

into a state monopoly.

The PSL now stands a chance of strengthening its hand in the forthcoming cabinet reshuffle which could have led to further obstruction.

Philip Morris has produced its Mariboro brand at Krakow since 1973 under a licensing agreement, and has been seeking to buy the plant since

It has agreed to invest a further \$145m in the plant over three years, making the deal the largest capital transaction by a foreign investor in Poland

The company will initially have 33 per cent of ZPT Krakow's equity and will take control of a further 32 per cent when the investment pro-

Philip Morris has to date invested \$1bn in the former munist world and controls production facilities in the Czech Republic, Kazakhstan, Hungary, Lithuania, Ukraine

This announcement appears as a matter of record only.



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ING BANK

November 1995

Provisions send Bouygues into the red

big provisions for its industrial holding, telecoms and property businesses, forcing the French conglomerate into losses of about FFr4bn (\$783m) for 1995. Without the FFr4.4bn of exceptional items, the group would have reported net earnings of about FFr400m, compared with analysts' expectations last autumn of about FFr600m. The company said

1996 earnings would equal

those in 1994, at about

Bouygues yesterday revealed

before the close. The property provisions, at FFr2.1bn, are the latest of a series of exceptional items announced by French companies exposed to the sector.

Mr Martin Bouygues, chair-man, also announced the group would sell about FFr3bn of non-strategic assets within the next 18 months. Despite the 1995 loss, the

board intended to maintain the dividend at 1994's FFr25 a share. It would be paid from reserves. Bouygues' shares were suspended yesterday pending the announcement Bouygues also made provisions of FFr1.1bn for its holdings in financial and industrial and did not begin trading groups which had suffered

from the worsening economic

he hoped there would be no further decline, but could he could not guarantee an improvement.

The property business would achieve sales of FFr4.1bn this year compared with FFr4.4bn in 1995, and should make a profit in 1996, he added.

The telecoms provisions of

Mr Bouygues blamed a deterioration in the market during the second half of 1995. He said

FFr1.2bn would cover start-up costs for its paging operations and Bouygues Telecom, the French PCN mobile telephone business in which Bouygues holds 51 per cent

Until 1999, when they would become profitable, the telecoms businesses would make cumulative losses of about FFr2.6hn, Mr Bouygues said.

Other shareholders in Bouygues Telecom include Cable & Wireless of the UK; Veba of Germany; US West; BNP, the French bank; and Compagnie Financière de Paribas. Telecoms sales should reach

Group turnover in 1995 increased 2 per cent to FFr81.3bn, boosted by acquisitions. Excluding the acquisitions, sales were stagnant. Sales at TF1, the quoted television group controlled by Bouy-gues, increased from FFr8.4bn to FFr9.1bn last year, and should reach FFr9.5bn next

Mr Bouygues refused to comment about corruption inquiries which have led to a number of senior company executives, including the chairman, being placed under formal investigation by magis-

Thyssen poised for disposals after setback in all activities

By Michael Lindemann in Düsseldorf

Thyssen, one of Germany's biggest industrial groups, yesterday warned that all three of its divisions had reported firstquarter profits below expectations and signalled it was likely to sell businesses worth about DM1bn (\$673m) in sales terms as part of further restructuring.

Mr Heinz Kriwet, the chief executive who hands over to Mr Dieter Vogel in March, warned that the business climate in Germany was deteriorating rapidly and that Thyssen was especially susceptible to an economic slowdown because so much of its business, centred mostly on steel, is short-term.

"It would be wrong and irresponsible to talk of a recession," Mr Kriwet said, "but we have taken a step closer to such a risk.'

The Düsseldorf-based group

to approve a DM500m increase in its authorised capital at the annual general meeting in March, but said it had no plans to spend the money on any acquisitions. The increase was last requested in 1991 and needs to be extended before the five years are up, the company

All three of Thyssen's divi-sions - trading and services, and engineering reported unspecified net profits for the quarter ending December 31. Mr Kriwet said, but new orders for the quarter fell to DM3.04bn, 10 per cent lower than the same period a year Sales in the three months

rose 7 per cent to DM3.07bn. While Mr Kriwet would not specify what businesses might be sold or brought into joint ventures with other companies, he said that further changes were necessary to make the group more resilient to the heavy losses it sustained

steel and to improve shareholder value.

"The structure of the group at the moment is not the way the management board would like to see it," Mr Kriwet

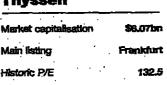
Thyssen Stahl, the steel division, has already said it is working on further co-operation agreements with other manufacturers, especially for its long products. Despite a range of sobering predictions about the prospects

for business this year, Mr Kriwet said there were "firm expectations" that Thyssen would pay a DM10 dividend for the financial year ending September 30, the same amount as this year.

Thyssen plans to shed 2,464 jobs by the end of this year, bringing its worldwide workforce to 122,822.

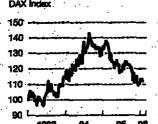
However, Mr Dieter Hennig, the personnel director, warned that Thyssen might well be forced to make further personduring the recent downturn in nel cuts if the business climate

COMPANY PROFILE: Thyssen



Earnings per share (DVFA)1995 24

Current share price



Strare price relative to the

95 94 deteriorated during the year. Mr Heinz-Gerd Stein, chief financial officer, also implied that the company would continue to move jobs to

cheaper production sites

Following the fall of the

dollar and the wage round which raised personnel costs by about 10 per cent last year, a Thyssen worker in Germany now costs DM12,100 more than abroad. A year earlier the difference amounted to

OMV profit more than |KLM third term lifted doubled to Sch2bn

OMV. the Austrian oil, gas and chemicals group, yesterday continued an impressive turnround by announcing pre-tax profit more than doubled from Sch840m in 1994 to a record Sch2bn (\$191m) last year, achieved through drastic cost-cutting and higher prices for some plastics lines.

The group, which was in the red in 1992 and 1993 because of heavy losses from its chemicals unit, said it would lift its 1995 dividend from Sch10 to Sch20 a share. However, earnings growth slowed in the fourth quarter because of charges related to the sale of its Chemie Linz subsidiary.

After the results yesterday, Mr Richard Schenz, OMV chairman, predicted slightly lower earnings, "but still a respectable result" for 1996. OMV had come out of the biggest

crisis in its history through a sharp reduction in personnel and capital outlays, he said. It had cut staff and overtime and also reduced its oil and gas exploration budget. This helped cut losses in the exploration and development sector.

"Without rationalisation, we would have suffered a loss of Sch3.8bn last year," Mr Schenz said. Through further cost-cutting, OMV should be able to lift the dividend to Sch30 in the medium

Oil and gas production is set to rise to 4m metric tonnes from the current 3m as OMV plans to invest Sch6bn in exploration in the next three years, while plastics and chemicals remain the weak spot in its balance sheet. Prices for fertilisers, monomers and polyolefins were on average up last year, but a drop in polyolefin prices in the fourth quarter dampened earnings growth in that division

Two weeks ago, OMV and Repsol of Spain cancelled a planned joint venture in polyolefins because of unspecified "strategic differences". But OMV said yesterday it was still considering co-operation with Repsol in other lines. Mr Schenz pinpointed neighbouring countries, including the Czech Repub-

lic, Slovakia, Hungary, Slovenia and Italy, as key areas for future expansion.

OMV is planning several joint ventures and acquisitions in the natural gas business and wants to boost its market share in petrol sales at its ownbrand stations. This should help it improve capacity utilisation at its large oll refinery in Schwechat near Vienna.

The group is also engaged in several pipeline projects in Hungary, Slovenia and Italy and is planning to increase its gas storage facilities in Central Europe. In Austria, the group's aim is to keep its market share in petrol sales of 23 per cent, despite closing down a fifth of its petrol stations over the next five years. its market share in petrol sales of 23 per cent, despite closing down a fifth of its

by stake in Northwest a share of Northwest's net profits on to

KLM Royal Dutch Airlines' ownership of preferred shares in Northwest, the US airline, allowed the Dutch carrier to shrug off a 71 per cent decline in operating profit and report a 23 per cent law suit with fellow Northwest shareincrease in net profits for the third

quarter of 1995-96. Lower taxes and a decline in financial xpenses also contributed to the rise in KLM's bottom line in the quarter,

which ended on December 31. The increase in net profits, from FI 83m (\$49.85m) to FI 102m, was in line with analysts' forecasts, but there was some surprise that the airline's operating profit dropped from Fl 193m to

Its shares closed down 6.5 per cent at F150.40, on a generally lower Amsterdam stock exchange.

KLM clearly benefited from Northwest's record profits in 1995, as this enabled it to step up the revaluation of the preference shares it owns in its US partner airline. This development warrants a more

rapid scale-back of provisions previously taken against KLM's investment in Northwest Airlines' preferred shares," KLM said.

Income from Northwest shot up to

its own books because the US airline still has negative shareholder equity. KLM, which has a 25 per cent equity

stake in Northwest and voting rights of almost 19 per cent, is embroiled in a holders over a "poison pill" aimed at limiting the Dutch company's ability to lift its voting stake.

The Dutch carrier yesterday forecast a 10 per cent increase in earnings per share for the full-year. Previously, KLM had said only that 1995-96 net profits would be "slightly" higher than a year earlier.

"In spite of the pressure on operating income, we foresee a significant improvement in net income in the fourth quarter, as a result of higher income from associated companies and lower income taxes," it said.

In the third quarter, revenue rose by 4 per cent to F12.35bn but this was easily outstripped by an 11 per cent increase in expenses to nearly Fl 2.3bn. Salaries and employee benefits rose by 14 per cent, reflecting in part the resumption of pension contributions by KLM after a premium "holiday" ended

in late December 1994. KLM said it posted 10 per cent traffic growth in the third quarter, which it described as being above the market average. But capacity increased faster, expanding 15 per cent.

Hoping to have won a stay of execution

Andrew Jack looks at the factors behind the difficulties at Crédit Foncier de France

Crédit Foncier's raison d'être

was removed in the process.

The directors of Credit Fon-

cier thought they had found a solution late last autumn,

when they proposed a merger

between the parent company

and Société des Immeubles de

France, a 55 per cent-controlled

subsidiary, which would have

¬ he historic facade of the headquarters of Crédit Foncier de France in central Paris conceals wide cracks forming deep inside the institution which threaten its very survival.

In the past 12 months, the group, which specialises in domestic property loans, has seen its share price fall by more than two-thirds, while the cost of its borrowing has jumped as credit rating agen-cies have downgraded their

As the crisis reached a peak last week, unions placed a halfpage advertisement in the French newspaper Le Monde pleading their case, and locked directors into their offices late on Friday in an attempt to win greater negotiating powers before an expected restructuring which could lead to heavy iob cuts.

With cash reserves depleting fast, the directors managed on Thursday to secure a new line of credit - at competitive interests rates - of up to FFr25bn from the state-backed Caisse des Dépôts et des Consignations, secured against its loan portfolio.

French businesses, Crédit Fon-

cier has been hit by the prop-

erty market crisis, which has

forced banks, insurers and con-

glomerates alike to announce

huge write-downs.

What has brought the insti-In its place, the government tution to this? Like many other launched a package of zero-interest loans up to a limited

It has also found itself exposed to an intensely competitive environment, as banks offer low interest rates in an effort to gain business. Yet, unlike most of its rivals, it offers nothing but property loans, which has magnified its problems considerably.

The most significant factor behind the current crisis was a recapitalised it with an

The directors now appear to accept that the institution is almost certain to be unable to carry on in its current form. At the very least, they are seeking a single large shareholder to provide significant new capital

decision taken by the new additional FFr1bn (\$196m). French government last Sep-tember. Mr Pierre-André Péris-

threshold for new home buy-

ers, which would be available

through any French bank and

would be topped up with their

own loans at commercial rates.

sol, the minister of housing. announced the abolition of the PAP, the Prèt de l'Accession Sociale, a subsidised loan programme to encourage those on low incomes to buy their houses and of which Crédit Foncier was one of only two

Yet the stock market authorshould have the right to a cash

to readjust in other ways. The bank has won the right to pay a commission to the French Post Office for every client referred to it for the government's zero-rate loan - which has enabled it to capture some 20 per cent of the market so

ities blocked the deal at the end of November, arguing that shareholders in the subsidiary

exit and not simply to shares in the bank - a solution the directors could not afford. They have also been trying

position. It is also to take on a new

role advising the government and funding the conversion of vacant offices into housing.

The directors are now discussing plans to reduce costs by between 30 per cent and 40 per cent over the next three years, with a similar cut in the payroll - which triggered the current industrial However, such actions are

marginal. The directors now appear to accept that the institution is almost certain to be unable to carry on in its current form.

At the very least, they are seeking a single large share-holder to provide significant new capital. The institution may well even be taken over entirely. "It will either disappear or be acquired," says one analyst.

ome rating agencies and other analysts now believe the mood has become too pessimistic, however. First, while no new PAPs will be issued, the existing ones will expire over several years, providing time to find new types of business. Second, the underlying assets of the bank look relatively strong and there are government guarantees beneath them that suggest bondholders are in a strong

Nevertheless, substantial new provisions against its loan book are expected when Crédit

Foncier publishes its full-year 1995 results at the start of

Meanwhile, attempts at restructuring are proving diffi-cult, partly because of its peculiar legal status. While it is a publicly quoted company with no direct shareholding by the French state, the government appoints the chairman - called the governor - and his two deputies, a legacy of the state's dominant role in its operations since the 1950s, when PAPs

were introduced. The result is an institution which, according to some critics, has a rigid organisational structure and a protected staff with little commercial judgment. "It has the spirit of the civil service," says one out-sider who knows it well.

If investors are to take the bank seriously, they will expect a change in its legal statutes to ensure that the executives are directly accountable to shareholders

rather than to the state. The current board must hope in the meantime that they have created enough breathing

It is also one that has long lacked transparency, and hence generated suspicion on the part of outsiders. It was only last year that the governor held a presentation for analysis for the first time, for

space to find a longer-term

INTERNATIONAL COMPANIES AND FINANCE

RJR Nabisco held back by restructuring charge

in New York

and food group under pressure to spin off its food business, yesterday marked the end of a poor year for profits growth by reporting fourth-quarter net earnings of just \$33m, only slightly shead of the compara-ble period's \$29m.

The company said that if restructuring charges and extraordinary items were excluded, net income would have shown a 1 per cent increase to \$207m, or 60 cents a share. This was in line with analysts' expectations, following the company's earlier warning of a profits

rose from \$388m to \$501m. The company said that after excluding; one-time expenses and

extraordinary items in 1994 and 1995, net income rose 6 per

the poor fourth-quarter performance was an \$87m pre-tax charge for the restructuring and relocation of RJR Nabisco's international tobacco

Mr Steven Goldstone, who took over as chief executive in December, said that if one-time charges were set aside, a decline of 4 per cent in operating profits over the previous

tional and domestic tobacco businesses, which we expect to carry us into 1996 with signifi-cant momentum," Mr Gold-

Mr Goldstone also saw a pos-itive outlook for the Nabisco ent to \$357m. food business, which is 30 per One of the main reasons for cent controlled by RJR Nabisco and which reported separately a day earlier.
After investing in new

> Excluding one-time expenses, RJR Nabisco's tobacco operations increased fourth-quarter operating profits 3 per cent to \$505m. The international contribution rose 5 per cent to \$207m, and the

The company said it had ended 1995 with a slightly higher share of the domestic cigarette market than a



Steven Goldstone: sees positive outlook for food business

price slides as takeover hopes fade

By Louise Kehoe In Sen Francisco

Apple Computer's shares fell sharply yesterday as investors' hopes of an imminent takeover bid for the straggling personal computer company faded. Widely-ramoured talks

between Apple and Sun Micro-systems, the leading computer workstation manufacturer, are believed to have ended without agreement. Sun is said to have proposed a stock-swap offer for Apple worth about \$23 a share.

Yesterday, Apple's shares were trading at \$27% in midsession, down almost 6 per cent from Monday's close of \$29%. Sun's share price rose to

\$45% from \$44%. As Apple's share price continued to decline, there was industry speculation that other bidders for the company

would soon emerge.

Among the names mentioned was Mr Larry Ellison, the billionaire chairman of Oracle, the database software group. Mr Ellison has acknowledged that he attempted to put together a plan to acquire Apple last year. He is believed to have been interested in spinning off the company's hardware manufacturing operations while retaining its software develop-

IBM offered Apple \$40 a share last year, according to former IBM and Apple executives, who said the computer industry leader might renew its interest at a lower price Motorola, Hewlett-Packard and Sony of Japan are also mentioned as possible buyers.

Apple's problems have prompted Standard & Poor's to lower its rating on \$300m of the company's debt to junk bond status. Citing Apple's recent losses and manager turmoil, the rating agency said it would review the rating if Apple were acquired by a

stronger entity". Apple also attempted yesterday to dispel reports that it had placed a halt on new R&D spending. "There is no freeze. We are reviewing our business model and rationalising our cumstances new spending must be reviewed," it said.

Apple share **NEWS DIGEST**

Barrick steps up global campaign

Barrick Gold, the biggest gold producer outside South Africa. has capped its 10th consecutive year of output and earnings growth with plans for a new mine on Chile's El india gold belt. The Toronto-based company signalled plans to become more aggressive in challenging South Africa's mining houses in the international gold industry.

Mr Peter Munk, chairman and controlling shareholder, said yesterday that Barrick aimed to become as dominant globally

as it was in North America.

Net earnings rose to US\$292.3m, or 82 cents a share, last year from \$250.5m, or 80 cents, in 1994. Revenues climbed to \$1.26bn from \$936m. Average operating costs grew to \$183 an ounce from \$167. Gold output totalled 3.14m oz. up from 2.33m oz. Almost two-thirds of production came from the flagship Goldstrike property in Nevada.

Barrick's recent success is partly attributed to an active hedging strategy, allowing it to obtain gold prices well above the prevailing market. Last year's sales were concluded at an average price of \$406 an ounce, compared with the market average of \$384. But the recent spurt in bullion has led the company to reduce hedged positions from three years' output to less than two years' output. Bernard Simon, Montreal

Twist to Mattel, Hasbro battle

US toy-maker Mattel's highly-public pursuit of rival Hasbro took a new turn yesterday, when regional legal authorities started investigating the antitrust implications of the propose \$5.2bn share offer. As Mattel published a further appeal for a negotiated settlement. Hasbro advisers distributed copies of requests for detailed information sent to both companies by

Mr Richard Blumenthal, attorney-general for Connecticut.

Although there has not yet been an official bid, and federal cartel officials have no formal case to investigate, the move marks the first apparent success in Hashro's attempts to arouse the competition authorities' inferest in Mattel's unwelcome approach. "I have followed with great interest, and I must say great concern, the possibility that Mattel and Hasbro might be combined," Mr Rhumenthal wrote. "The merger of the country's two largest toy manufacturers raises

serious antitrust questions."

Estimates of the impact on market share caused by a possible merger of the world's two largest toy makers have been made difficult by the inclusion of electronic and other innovative products in the overall market for toys. However, there is no dispute that a combined group would be the biggest operator in the \$17bn US market, as well as in the Buropean Union and Canada.

The release of Mr Blumenthal's letters coincided with a renewed public appeal from Mr John American, Mattel chairman and chief executive, for Hasbro to restart talks and "finalise the transaction so that your shareholders can receive a premium of over \$2.2bn". Christopher Purkes, Los Angeles

Start date for 24-hour Fox News Mr Rupert Murdoch, chairman and chief executive of News Corporation, the international media group, said yesterday he aimed to launch the Fox 24-hour all-news network by the end of this year. He was announcing the appointment of Mr Roger

Ailes, former head of CNBC, NBC's business news channel, to The new network, first announced in late November, is aimed to compete with Cable News Network, Mr Ted Turner's news channel. Rival networks ABC and NBC, in partnership with Microsoft, have also announced plans for 24-hour news

Mr Murdoch said yesterday that the Fox network would include interactivity, allowing viewers to call up stories on-line to find more details, He said that the more than \$30m a year cost of running Fox News at the moment would rise by about \$50m a year. He expected "significant revenues" from the network.

Mr Murdoch said that adding to Sky News in Europe and Star TV in Asia, and developments in South America, News Corp's television news channels would two-thirds of the world.

Observer, Page 13

Maggie Urry, New York

MCI raises earnings 17%.

MCI, the US long-distance telephone company, raised earnings by 17 per cent to \$284m in the fourth quarter on sales 22 per cent ahead. MCI said it aimed at double-digit increases in sales and earnings in 1996 and 1997. For the first time, the company split results from its long-distance phone network from its other ventures, including Concert, its joint venture with BT. Long-distance earnings were up 37 per cent for the quarter at \$344m, and by 36 per cent to \$1.2bn for the year. Among other ventures, MCI classed last year's \$1bn

investment in News Corp and \$1.1bn purchase of SHL Systemhouse. Revenue for the year was \$365m, up from \$68m, while there was a net loss of \$125m and a cash outflow of \$46m. Concert had revenue of \$228m in the year and \$76m in Tonu Jackson, New York the final quarter.

Eli Lilly ahead in first term

An unexpectedly low tax charge lifted Eli Lilly's net income by 18 per cent during the final three months of last year, as sales grew 16 per cent to \$1.8bn. The US drugs company. which reported earnings of \$343m, or 63 cents a share (57 cents before profits from discontinued operations), said it believed the lower tax rate was sustainable "near-term". The rate for the year was 26 per cent, against an expected 29 per cent, because of higher earnings in low-tax countries and the

effectiveness of tax-planning.
At the pre-tax level, profits fell 4 per cent to \$364m on continuing operations, reflecting the acquisition of PCS, the pharmacy benefit manager, as well as a surcharge imposed by the French government and expected litigation costs. Sales of Prozac, the anti-depressant, rose 24 per cent to over \$2bn during the year, while sales of Ceclor slipped 11 per cent to \$722m as the drug's US patent expired. Full-year net income rose 78 per cent to \$2.29bn, including discontinued operations, or a rise of 10 per cent to \$1.3bn without them. 1995 earnings reached \$4.03 a share, or \$2.50 excluding the discontinued

Bonus issue from Advance Bank

Advance Bank, the Australian regional bank, has lifted its dividend and declared a bonus issue after a strong earnings performance in the six months to November. The bank, which last year bought the Bank of South Australia (now BankSA) from the state government, yesterday announced a 38.5 per cent rise in net profit lift from A\$57.8m a year ago to A\$80.1m (US\$59.27m). The interim dividend is being raised from 33 cents to 35 cents a share and directors have declared a one-for-one bonus issue. They said the result included five months of trading from BankSA.

The result followed an increase in the charge for bad and doubtful debts from A\$2.3m to A\$7.7m and a tax provision of A\$46.7m, up from A\$31.4m, Total assets jumped 72.4 per cent from A\$11.8bn to A\$20.3bn. Bruce Jacques, Sydney

Banque Audi advances

Lebanon's Banque Audi, which became the first Arab bank to issue Global Depository Receipts last November, posted L£20.1bn (\$12m) net profits in 1995, up nearly 60 per cent over 1994, the bank reported yesterday. Net return on assets rose to 1.08 per cent in 1995, against 0.93 per cent in 1994, but return on equity dropped from 30.8 per cent in 1994 to 27.8 per cent

The bank said financial income jumped more than 43 per cent. Customer deposits increased to \$1.17hp at the end of 1995, compared with \$913m the previous year.

Banque Audi is the fourth largest bank in Lebanon in terms of assets and one of the most conservative. The GDRs sold for \$12.60 a piece in the November \$34m issue. They are now trading at \$12.75. Roulg Khalaf, London

By Richard Tomkins

RJR Nabisco, the US tobacco

For the full year, net income

operations.

three quarters had turned into a gain of 7 per cent in the fourth quarter. "That is the result of a marked rebound in sales, volume and profit at the interna-

products and enduring some short-term market disruptions, the company had entered the current year "well positioned for earnings growth", he said.

domestic contribution, 1 per cent to \$298m.

in sales volume for Camel, the fastest growing full-price domestic brand in the US last

former Soviet Union posted

strong results in the second half and was carrying "signifi-

year earlier. This was attri-buted to a 10 per cent increase In international markets, the rent year. GM back to strength with 40% rise for year

Outside the US, meanwhile,

By Richard Waters

General Motors fared better than expected in the difficult antomotive markets of Europe and North America in the last three months of 1995, capping a year in which it finally elimi-nated its large US pension fund

deficit and restored its balance sheet to financial health. The world's biggest automotive maker was able to lift its net income last year by 40 per cent, to \$6.9bn. This is likely to give GM the biggest profit of

any US company for 1995, top-ping even General Electric's \$6.6bn. It comes just four years after the group was brought to the edge of financial collapse by its chronic lack of competitiveness in North America.

The recuperation of GM's North American operations was the biggest factor behind last year's earnings rebound. Pre-tax income more than doubled, to \$3.8bn, as GM cut costs against the background of a 5 per cent rise in sales, to \$103bn.

Mr Michael Losh, chief finan-

cial officer, said the company expected further cost-cutting and efficiency gains this year to push it towards its target pre-tax profit margin of 5 per

in the final quarter of last year, pre-tax earnings slipped 14 per cent to \$760m, reflecting the tough North American car market and the group's rela-tively low level of highermargin light trucks. However, tinued to decline, falling to \$623 from \$671 in the previous quarter. GM's pre-tax profits fell by 28 per cent to \$1.6bn for the year as it faced unfavourable for-eign exchange movements, the costs of launching the new Opel Vectra in Europe and higher material and labour

expenses in Latin America. In the final quarter, pre-tax income fell to \$110m, from \$561m a year before. Vauxhall Motors, General Motors' UK subsidiary, yester-day blamed fierce competition in a stagnant UK market for a

John Griffiths in London. Sterling's weakness against the D-Mark, industrial action in the final quarter, and costs associated with the new Vectra model compounded Vauxhall's problems, said Mr Charles Golden, chairman and manag-

£3m (\$4.62m) last year, com-

ing director. Vauxhall's total wholesale sales of cars and light commercial vehicles fell 1.5 per cent to 420,727. Its UK registrations, at 294.131, were 5.3 per cent below sharp fall in pre-tax profits to the 1994 level.

Standard Chartered sells troubled broking arm

By Louise Lucas in Hong Kong and Ted Bardscke in Bangkok

urd term

in Sorthug

Standard Chartered, the London-based international bank, is to sell its lossmaking and Asian-dominated stockbroking arm, Standard Chartered Securities, to a leading That finance com-pany. Nava Finance & Securities, and

its parent, Thai Military Bank.
The price was not disclosed, but Standard Chartered said yesterday in Hong Kong it was based on "a modest discount" to the net asset value of the

stockbroking activities. ... Lendon brokers estimate the opera(\$6.6m) last year, and said the price would probably be less than £5m. This, however, was substantially more favourable for Standard Chartered than incurring the costs of closing the busi-

At the same time, Fleet Financial, the fast-growing US regional bank, announced it had reached an agreement for Standard Chartered to provide trade finance services to its customers in the

Asia-Pacific region. Standard Chartered and Nava have

different suitors. Other bidders included Prudential Bache of the US and Nithipat Capital, another Thai finance company.

Nava will acquire "substantially all" of the stockbroking activities carried out by Standard Chartered Securities, which employs around 250 and is strongest in Hong Kong and China.

The operation has had a chequered

history, last reporting a profit in 1993. It has since closed down its private client business (although wealthy individuals been negotiating for nearly a year. At were understood to have remained cli-one point, Nava pulled out of the bid-ents), cut staff and had a number of :: Legislan: brokers estimate the opera-ding : complaining that Standard Char-run-ins with the regulators.
tion had trading losses of around films tered was offering different terms to ... It's initial public offering business ran

aground in June 1994 when the Securities and Futures Commission, the regulatory body in Hong Kong, unearthed trading offences. Standard Chartered Securities was banned from involvement in IPOs until the following April, by which time the markets knew of the decision to sell up.

Nava is Thailand's 10th largest finance company in terms of assets and its fourth largest in terms of brokerage market share. It recently renewed an agreement with UK-based brokerage house W.I. Carr to provide securities relationship would not be affected by the Standard Chartered purchase.

trading in Thailand. Nava stressed this product portfolio. In these cir-

COMPANY PROPIDE 17. Main listing Historic P/E with Taiwan and other Chinese Gross yield trading partners - say the bank's consumer financing subsidiaries have also gained impressive stakes in the housing mortgage and car loan sec-**直示**为. 1990 91 92 \$3, 94, 95 tor. Car sales grew 29 per cent Earnings per share ere brice relative to the in 1995, while the country's Manila Composite Index top-end property market saw real estate prices double in 12 1. 1. 1. 1. 1. 1. 1. 1000 91 102 93 94 95 96 7996 95

Sutherland.

an annual event," said Mr risen in line with the market's recovery this year, vesterday Metro's shares, which have

PolyGram withdraws offer for Goldwyn

By Christopher Parkes in Los Angeles

Negotiations over the future of debt-laden Samuel Goldwyn, the Los Angeles film company, have run into difficulties, with the reported withdrawal of a partial offer from PolyGram, a subsidiary of Philips of the Netherlands.

While the move appeared to leave the fast-expanding Metromedia group as the only potential saviour for the ailing remnant of Hollywood's glory days, observers suggested Poly-Gram might be attempting to force the Goldwyn management to come to a decision.

The Dutch-owned group originally offered \$62m for the Goldwyn film and television programming library. This left the future of the film-making and distribution interests unclear, although a buyer was expected to be found relatively easily for its Landmark chain

of movie theatres. However, the PolyGram offer was promptly beaten by a pro-posal from Metromedia, part of the private empire of billionaire Mr Paul Kluge, to buy the entire company for a consider-ation of \$115m, including the assumption of Goldwyn's \$73m

Goldwyn, controlled by the son of the late mogul of the same name, is known for making quality, limited-market films which match the tastes of visitors to its Landmark "art

However, hits have been hard to come by recently, in spite of the success of The Madness of King George. A new release, Angels & Insects, had a fair start, although last year's Perez Family was swiftly switched into the video rental market after flopping.

The bid from PolyGram.

which is making determined efforts to expand its library of hroadcasting and cinema material, was aimed at long-time favourite programmes in the Goldwyn files, which include the Fipper series from television, and American Gladiators. Films include cult movies such as Sex, Lies and Videotope. The Dutch-owned bidder had

also negotiated licensing rights

to 75 classic films from the

estate of the late Mr Goldwyn.

Branch expansion helps lift Metrobank profits by 39% sector - owing to its close ties.

By Edward Luce in Mania

Metropolitan Bank and Trust (Metrobank), the Philippines largest commercial bank, reported a 39 per cent rise in net profits, to 3.5bn pesos (\$133.7m) in 1995, on the back of rapid branch expansion

The bank, which is 55 per cent owned by Mr George Ty, a leading Chinese-Filtpino businessman, said it also overtook the Philippine National Bank as the country's largest finance house in terms of total assets. Total assets jumped from 110bn pesos in 1994 to 178bn

pesos, the company said.
"Metrobank's very impressive results last year were the fruits of a rapid branch expansion plan, and the overall cligrowth in the Philippines," said Mr Matthew Sutherland, chief analyst at Asia Equity

Securities in Manila. "The bank has also benefited from its very close ties to the Chinese-Filipino business community; which owns some of the fastest growing businesses

in the country," he added. Spurred on by the Philippine economic recovery, which helped total banking loans deposits grow by about 30 per cent, Metrobank extended its branch network to more than 300 outlets from around 270 in 1995, and saw deposits grow 25 per cent to 108bn pesos. Net loans, which include underwriting accounts, surged 56 per cent to 93.80n pesos.

Analysts, who point out that Metrobank controls a leading share of the country's rapidly

With a 35 per cent stake in Toyota (Philippines), which had the highest share of the country's car sales market last year, Metrobank is considered well placed to exploit the continued surge in consumer financing. However, analysts see Metro's net profits growth

slowing to about 25 per cent in "Metro will continue to register good growth, but profit

rises of 40 per cent will not be growing export import finance

Takeovers and joint ventures are seen as potential routes for growth

rose to \$153m on sales of \$2.4bn in the final quarter of last year, as the diversified US industrial conglomerate con-tinued to shift into highermargin businesses and shed cyclical operations, writes Richard Waters in New York.

A year before, it reported earnings of \$82m on sales of \$2.8bm, after a \$177m loss from

discontinued operations. The automotive division generated more than half its sales outside the US for the first time, setting the lead in the group's plans for international expansion, said Mr Dana Mead, chief executive. Tenneco's automotive parts unit reported fourth-quarter sales of \$616m, up 32 per cent

from a year before. For the year, the compa reported net income of \$785m on sales of \$8.9bm, against \$408m on sales of \$12.2bn in 1994. Before losses on discontimued businesses and other one-off factors, it earned \$641m in 1994. Earnings per share were \$1.05 in the latest quarter and \$4.16 in 1995 as a whole, against 16 cents and \$2.20 in the same periods in 1994 (or \$1.14 and \$3.49 on nning operations.)

turnover, but is regarded as the division with probably the highest potential for growth.

While Mr Snell would not entify current takeover tar-

In the past year or so Mr Snell and senior executives are known to have been investigating possible takeover targets or joint ventures around the world. In the past few months the division has set up a joint venture with a local partner in Beijing to form Beijing-Monroe Shock Absorber, supplying locally-produced Chrysler Jeep es and a domesticallydesigned sport utility vehicle. The venture has been chosen to supply Dong Feng Citroën in Wuhan, which is to produce the French carmaker's ZX model, and has also set up an exhaust venture in China, with India next on the list. In the Czech Republic, it acquired the Ateso shock

absorber manufacturer near Prague, as a launch pad into eastern Europe. And in a move which has given Tenneco the lion's share of Europe's exhaust systems market, it now controls German exhaust systems maker Heinrich Gillet and Spanish exhaust and emissions controls group Fonos. The acquisitions have more than doubled the size of Walker's European business.

"Now is the time to start making sure we'll still be there," said Mr Snell of his prediction that there will be a further severe shake-out in the global automotive sector. Vehicle manufacturers are becoming outspoken in their demands to shift engineering and development work to their suppliers, and as they go global they will want just one supplier for each components system. But that supplier will have to possess a substantial engineering base with the ability to manufacture locally lready, it is clear that

North American multination-- rather than European or even Japanese groups. pean players developing into resources we envisage as being needed, and Japanese component makers appear to be too strongly tied to Japanese giobal challengers," Mr Snell

Partial support for Mr Snell's

vided recently at the UK motor industry's centenary celebrason, president of the UK's Society of Motor Manufacturers and Traders, predicted that the number of carmakers in Europe would also be slashed by 2010, and that by then the world industry would indeed need only 15-20 direct, but completely global, component sup-Not surprisingly, however, as chief executive of Lucas

Industries. Mr Simpson expects

the UK components group to

be among the global suppliers. Lucas itself is dedicating twothirds of future investment to building up a global capability. While projecting only modest growth for Tenneco Automotive in Europe and North America, "there are now hundreds of millions of people acquiring discretionary income for the first time in Asia and other developing countries; and the first thing they want is a car, even before roads and bridges," said Mr Snell.
"Even that should be good for our replacement shock

only half jokingly. John Griffiths

absorber business," he added -

mate of fast deposit and loan Tenneco posts strong

advance

Automotive side selects global gear

enneco Automotive, the \$2.5en tarnover motor components subsidiary of the US natural gas, packaging and automotive multinational, is accelerating a worldwide acquisition programme in the belief that, within a decade, each motor components sector will be dominated by one or two fully

giobal groups. "A number of deals are ready to be finalised, and there are no financial constraints on further acquisitions," said Mr Dick Snell, president and chief executive, in Brussels recently at the start of a world tour to discuss vehicle manufacturers' globalisation programmes and launch automotive after-market initiatives.

gets, Tenneco Automotive specialises in exhaust systems - it claims 25 per cent of the world market through its Walker Manufacturing subsidiary— and shock absorber and ride control systems, in which it maintains a similar share of the world market through Monroe Auto Equipment.

Tenneco Automotive

accounts for slightly more than

20 per cent of the group's \$12bn

around the globe." A Tenneco regards its rivals to be mainly

> "We see no signs of Euroglobal players of the size and vehicle makers to become truly

view of the future was pro-

Centrifugal forces that pulled Hanson apart

To identify one of the driving forces behind Hanson's pro- As another conglomerate splits, David Wighton analyses this four-way solution posed four-way demerger requires only a quick look at its share price chart.

It is the picture of a company which has lost its way or one which investors, at least, believe is heading down a cul-de-sac.

After a dramatic rise in the early 1980s, the shares did little for the rest of the decade. In the 1990s they started to decline, first steadily, then precipitously.

Hanson had hoped that the acquisition of Eastern Group, the electricity company acquired for £2.5bn in September, would reverse the trend. But it did nothing to calm investors' concerns about Hanson's increased vulnerability to economic cycles following the Quantum chemicals acquisition in 1993. Institutions had started to convey

to the board concerns about the direction of the group. Yet Mr Derek Bonham, Hanson's

chief executive and deputy chair-man, insists that the decision is the natural next step in reshaping the group. That process has seen a company, built up through a series of unrelated acquisitions in the 1980s, reorganised into the four main business groupings which it now pro-

This has required a programme of disposals, most notably last year's demerger of an assorted group of small US businesses as a standalone company, US Industries. Still to come are the proposed sale of Cavenham Forest Industries and partial flotation of Suburban Propane, which Hanson believes will raise about £1.5bn

Mr Bonham argues that this will leave Hanson with four coherent businesses in energy, tobacco. chemicals and building materials. all with "greater management and growth opportunities".

Hanson is the latest large international company to announce a demerger, leading some observers to declare that the conglomerate is

But Mr Bonham denies that Hanson's move supports this view. "Lord Hanson and I continue to argue that there is a place for conglomerates in this world." He believes merely that the move makes sense for Hanson at this stage, given its size and the nature of its businesses.

Size is important because, as it has grown, Hanson has found it increasingly difficult to find financially driven acquisitions large enough to make a difference; and changes in accounting regulations have made Hanson-style acquisitions less apparently attractive.

During the 1980s it bought a number of natural resources companies which had poor cash flow, that meant it could only fund large acquisitions by making disposals. This prompted the strategy adopted by Mr Bonham after he became chief executive in 1992. He tried to focus the group and increase the emphasis on growth through internal investment rather than acquisi-

To encourage managers to concentrate on long-term development, Mr Bonham has introduced incentive schemes linked to the growth

of individual businesses. He believes this process will be more effective once the group is divided. As yesterday's modest rise in the share price indicated, the demerger is not expected to add much to shareholder value in the short-term. In the cases of ICI and Racal, part of the rationale for demergers was that the stock market was undervaluing the group's constituent parts

so making them vulnerable to take-

But most analysts believe there is little, if any, "hidden" value in Hanson. Mr Gavin Launder, at SBC Warburg, calculates that Hanson's constituent parts would be valued at about 194p excluding the effects of the demerger. That compares with vesterday's close of 2111/p. One benefit of the demerger

would be that the constituents would be more vulnerable to takeover and the shares might include a premium to reflect that. In particular, Imperial Tobacco would be seen as an attractive target.

Recent rumours that Hanson But there will also be an increase

1976: Buys

Hygrade Foods in

Hanson knighted

itself could be the subject of a bid were never taken very seriously by the City, not least for tax reasons. Quite apart from the sheer size, a predator acquiring Hanson to break it up would face huge capital gains tax bills if it sold off imperial or the US chemicals busine plexity of Hanson's tax arrangements also acted as a deterrent.

But analysts believe any such short-term benefits from demerger will be outweighed by the costs. All four companies will engage mer-chant banks - with NM Rothschild acting for the continuing Hanson and the legal complexities are bound to generate substantial professional fees.

There will also be some capital gains tax involved in the reorganisation. While Hanson stresses that it has not received clearance from the UK and US tax authorities, it adds: "Preliminary indication is that one-off corporate taxes and costs associated with the proposed demergers would be containable."

1984: Buys Landon

Brick and US industr

Powell Duffryn falls

1986: Buys SCM and Imperial Group

1987: Buys Kidde, Hanson Trust renamed Hanson

1989: Buys Consolidated Goldfields. Salis 52% of

1990: Buys Peabody Holdings. Takes 2.8% stake in

SCM's typewriter business in controversial US

in on-going costs. The three new companies will have to set up their own head offices and their cost of debt will inevitably increase. Debt rating agencies yesterday put Hanson on credit watch. In addition, Hanson's famously

low tax charge will rise. This is largely because the group will have to unwind the offshore bank accounts where it has generated tax-free interest, facilities which the demerged companies will not be able to replicate.

Despite these costs most observers and institutional shareholders welcomed the move. "We always thought Lord Hanson would want to go out with a bang and this is the right thing to do for shareholders,' said one large investor.

Some analysts also applauded the hint that aggregate dividends might, fall after the demerger. "The level of dividends had become unsustainable, yet it was hard to see Lord Hanson being able to stomach a

cut," said one.

Seils Ever Ready UK.

president of Hanson Industries

Australian mining Interests

1994: Buys Scholes

Fails to win Ranks Hovis McDougall, Dereic Boring

named CEO of Henson; David Clarke appointed

1993; Buys Quantum Chemical and Costain's

1995; Buys Eastern Group, Demerges Hanson

of Hanson's ticklish management issues. Many institutions have been unhappy about the way family connections still play a part at Hanson. where Mr Christopher Collins, married to Lord Hanson's niece, is deputy chairman, and Lord Hanson's son Robert is corporate development director. "This may be seen as less of a problem at rump Hanson,"

said one observer. Meanwhile, Mr Bonham, who has been operating under Lord Hanson's shadow, would get to head the separate energy and tobacco businesses with Mr Bill Landuyt, head of Hanson's US businesses, taking over chemicals.

This job would presumably have fallen to Mr David Clarke, Lord White's protegé in the US, if he had not left to run US Industries. But Lord White, who died in August, would have approved of the demergers according to Mr Andrew Arends, a former acquisitions manager at Hanson. "Lord White would have thought it an elegant solution to let the market decide how much the parts are worth. The interesting question is which of the four he would have gone with.

IN TOBACCO - By RODERICK ORAM

An Imperially lavish cash cornucopia

money like Imperial Tobacco, which has the second largest share of the UK cigarette market and is arguably the best deal Lord Hanson ever made.

It generated £348m in operating profits last year, one-fifth of the group total, on some £780m of sales net of excise duties and only £54m of capital. Even by the standards of the tobacco industry, its 45 per cent operating margin and 650 per cent return on capital employed is lavish.

But for all that, it ranks below 20th in the world with only minor sales abroad. Thus it is likely to be taken over by another cigarette company seeking greater UK exposure.

Lord Hanson paid £2.5bn for Imperial in 1986, then a rambling and ill-managed conglomerate. He promptly sold £2.4bn of assets such as Courage, the brewer, Golden Wonder crisps, Ross Young's frozen foods, HP sauces and Happy Eater restaurants.

The remaining tobacco business, based in Bristol, was transformed into the lowest cost manufacturer in Europe by Mr Ron Fulford who will remain its chief executive. From 1987 to 1995, productivity rose 190 per cent and profits 12-fold on sales up a mere 5 per

Given Imperial's prodigious cash flow and steady earnings, Hanson will probably shift to Imperial a disproportionately heavy £1bn of group debt. Debt-free, analysts estimate



Detek Bonham

Tobacco

M CHEMICALS - By JENNY LUESBY

Turnover: £3.57bn Operating profit: £348m before Sep 30

£2.5bn, but its market value will be net of the debt it car-

Critical to investors, though, will be Imperial's ability to pay dividends, because tobacco stocks are bought for income Philip Morris, maker of Mariboro, trades on a dividend yield premium of about 60 per cent to Dow Jones Industrial Average stocks; BAT Industries of the UK, is about a 35 per cent premium to the FT-SE

100 index.

a steadily declining market. But fast growing overseas markets, particularly in the Europe and east Asia, are the industry's salvation from litigation and falling consumption in developed markets. Imperial derives only 15 per cent of its sales abroad and does not have brands strong enough to exploit overseas potential, BAT makes 20 times as many ciga-

As a stand alone company, however, it is likely to attract a predator or a partner with a company weak in the UK but stronger elsewhere.

BAT, which has no UK sales for historic reasons, would seem to be the most likely candidate. But it is believed to be far more interested in Gallaher, if American Brands were ever to sell it. A merger of the two would allow BAT to reunite ownership of brands such as Benson & Hedges and Silk Cut which are geographically split between the two companies. More likely candidates are Reemtsma of Germany, with its strong position in eastern Europe, or even Japan Tobacco. Imperial has strong ties with both Certainly, independence may be

The outlook for Imperial as an independent company is mixed. On the one hand it is likely this year to overtake Gallaher, owned by American Brands, as the the UK market leader. With brands such as Regal, Embassy and Superkings it has about 42 per cent of

rettes as it does.

short-lived for Imperial.

as animal by products, sack hire and 1964: Buys Welbecson, importer of US greetings cards, owned by James Hanson and Gordon White 1980: Buys McDonough 1981; Sells concrete and cement business. Takeove

> renamed Hanson Trust 1973: Bowater Corp withdraws takeover bid afte monopolies referral. White moves to US and sets up

1969: James Hanson elected chairman; company

1982: Buys Berec and United Gas Industries. Sk es Hanson made life pee

1983: Buys United Drapery Stores



Tying and untying the knot

Imperial Chemical Industries Industries, Lord White dies aged 72 1991: Buys Cavenham Forest Industries and Beazer. 1996: Announces demerger of Hanson into four Sir Gordon White made life peer companies Share price relative to the FT-SE-A All-Share Index

Core interests to carry on the company name

Butterley Brick, bought for £2.8m in 1968, was one of the first takeovers by Mr James Hanson, who will give his name to the building materials

The "new" Hanson, chaired by the group's co-founder until his retirement next year, will remain a powerful force in building materials. Analysts said it was likely to be a FT-SE 100 company, with estimates of its value ranging from £1.5bn to £2.5bn, depending how much debt is put into it. It will also bouse other members of the deal-making Hanson clan. Mr Christopher Collins, married to Lord Hanson's niece, will be deputy chairman and likely to succeed

As well being the UK's biggest brick maker, new Hanson will be one of the world's largest quarry operators, supply-ing construction industries in

the UK and the US. inesses in the group generated operating profits of £286m on turnover of £2.31bn in the 12 months to September 30. The chief executive will be Mr Andrew Dougal, Hanson's finance director

Subsidiaries include Grove, one of the world's largest crane manufacturers, and Hanson Electrical, supplying accessories from plugs to switchgear. Another constituent is Hanson's 12.5 per cent stake in the National Grid, valued at more than £400m. to the chairmanship. Lord which is expected to be sold. Hanson's son Robert, 35, will Analysts also believe that Grove and the electrical busi-

ness may be sold, leaving the rock, sand and gravel - is new company to concentrate underpinned by the difficulty, new company to concentrate on quarry and bricks.

The biggest profits earner last year was ARC, the UK quarry operator which came with Hanson's £3.3bn takeover of Consolidated Goldfields in 1989. Despite a difficult construction market last year, ARC increased operating profits from £69m to £84m on flat turnover of £563m. Cornerstone, the California-based quarry operator, produced unchanged profits of £50m on increased turnover of £930m. It brings with it a large part of Hanson's £1.4bn of environ-

mental liabilities. Quarries have been regarded as the classic Hanson investment. They have low overheads, generate lots of cash, and the value of the assets -

in the UK at least, of winning planning permission for min-

ARC, with an 18 per cent market share, will be the second largest producer of aggregates behind Tarmac, according to SBC Warburg. Tarmac will have a 24.5 per cent share when it completes an asset swap with Wimpey. ARC will also be second to Tarmac in coated stone for road construction, with a 16 per cent share. Mr Mark Stockdale, SBC Warburg's construction analyst, says: "There could be fur-ther rationalisation in this sector if ARC decides to close the gap on Tarmac by purchasing some smaller players, particu-

larly if it has the proceeds

from disposals behind it."

includes ACR, Hanson Brick, and 12.5% of National Grid Group Chairman

Turnover: \$2,3ba* Operating profit: \$286m* Will retain Hanson's current listing in London and New York

Much will depend on the level of debt with which the new company is laden. Takeover candidates for ARC could include quarry operators Bar-

1995 pro forma

Hanson followed its pur-London Brick for £245m in 1984. It has about 30 per cent of the UK brick market, ahead of Redland and Ibstock. Hanson's brick division last year increased its profits from

£23m to £38m, despite the difficult housing market. It is now turning its attention to continental Europe, with the planned acquisition of Desimpel Kortemark, one of the largest brick producers in the Benelux countries, in a

deal worth about £195m including debt. Hanson Properties, which plans a £500m new town at a disused brick works near Peterborough, will also be joining the building materials

E ENERGY - By DAVID BLACKWELL

Cycle turns on bumpy path of price rises and overcapacity

It is likely to be many years polyethylene product are now before the Hanson chemicals husiness sees a year as good as 1995. Built around two companies, Quantum and SCM, it is a medium-sized force in two

highly volatile sectors. A rough estimate of its value, without any debt, is 13bn-plus. This could be inflated by the prospect of a bid, although some potential predators would run into anti-

trust barriers. The centrepiece is Quantum, which specialises in plastics. In 1993. Hanson bought Quantum for \$2.3bn (£1.5bn) at the bottom of the cycle, and quickly benefited from a surge in prices - the price for one typical polyethylene product rose

from 29 to 52 cents a pound. Hanson estimated that each one cent movement boosted Quantum's profitability by \$40m a year, taking last year's operating margins above 30 per

cent on sales of £1.4bn. However, a reversal followed, and prices for the same by a further 22 per cent.

38 cents a pound. Analysts pre-dict a stabilisation at this level. The group's other large chemicals business, SCM, with sales of £531m last year, is also in a cyclical sector, producing titanium dioxide which is used as a white pigment in almost

every type of coating.
Titanium dioxide has been beset by overcapacity, with shortages in the late 1980s prompting a spate of new plant that subsequently flooded the market, pushing prices down from \$2,400 a tonne in 1990 to \$1,700 by 1994.

Steady demand growth began to take up the slack last year, pushing up prices and allowing producers to operate at more than 85 per cent of capacity. This almost immediately prompted expansion plans, with SCM among the most aggressive. Between 1991 and 1996 it increased its titanium dioxide capacity 29 per cent. By 2000 it plans to expand



be on the board.

includes SCM Chemicals. Turnover: \$2,02bn* Operating profit: £591m*

To be listed in New York before Sep 30

The take-up of this new product will depend on the paper industry and paint manufacturers, two of the largest buyers of titanium dioxide, both of which are under pressure. "Clearly there are problems ahead," said one analyst yesterday, anticipating renewed

overcapacity as early as next However, Mr Derek Bonham Hanson's chief executive, said the company was confident it

city problems, thanks to gains in market share. SCM would soon be the sec-

ond largest titanium dioxide producer in the US, he said. moving up from third position. The other two big players are Du Pont and ICI's Tioxide subsidiary.

The third, and by far the smallest, element of the new chemicals company will be Glidco, a successful niche manufacturer of predominantly turpentine-based fragrances and flavours. The grouping also includes a speciality chemicals business, which feeds other chemical producers with vinyl acetate monomer, acetic acid and ethyl alcohol.

The outlook for the combined chemicals business is for steady growth over the next two years, after a dip in profits to about £443m this year. according to Mr Chris Alexander, analyst with Lehman Brothers. He forecasts profits of 2509m for 1997.

five months in the family fold Eastern Group, which became part of Hanson only last September, will be the largest part of an energy group with com-

bined sales of £3.5bn. Hanson is planning to put it with Peabody, the world's largest private sector coal miner and a leading US distributor of propane gas. Combined operating profits were about £460m

last year.
While its debt level has yet to be determined, the energy group would not benefit from the sale of Eastern's stake in National Grid, which Hanson has attached to the building materials group.

Analysts said the group

would be similar in size to

PowerGen, one of the UK's two

big electricity generators, which is valued at £3.8bn and has no debt. Eastern was the largest UK regional electricity company (rec) when Hanson took it over in a \$2.8bn deal, including £300m debt. It makes most of

its profits from electricity dis-



Turnover, 23.5bn Operating profit: £460m⁴ To be listed in London and

tribution in the south-east of

England. However, the bulk of its sales are derived from the lowmargin supply side of the industry. Eastern has a 360MW gas-fired power station in Peterborough and is building another for £165m in Norfolk. Eastern has been more heavily involved in power generation than any other rec. At

about the time of the takeover,

pling its share of generation capacity in England and Wales to about 8 per cent. Since the takeover, it has

Eastern heads out after a mere

continued to be a front-runner to buy three more coal-fired power stations, for more than £1bn, from National Power. If it were to complete the deal and the Monopolies and Mergers Commission is looking into vertical integration in the electricity industry - its share of

UK capacity would rise to about 14 per cent. Eastern has also built itself into the fourth largest supplier of gas in the UK. It plans to take advantage of further deregulation due in both the

electricity and gas supply industries. Hanson's accounts show that St Louis-based Peabody had a difficult time last year. While profits rose from £149m to 2215m, the underlying trend was down after excluding acquisitions and the effect of a it bought two coal-fired power strike in 1994. Peabody will

stations from PowerGen, tri- bring with it the bulk of Hanson's £2.3bn healthcare liabilities which relate to black lung

disease. However, ahead of the Rast ern takeover, Peabody had already expressed interest in power generation projects in Asia, with the aim of securing long-term coal supply contracts. Eastern was seen as adding expertise in electricity generation, supply and distri-

bution. Eastern had looked at international opportunities before the takeover, but realised that meaningful investments could be risky for a company its size. But Mr John Devaney, its ambitious chief executive, said yesterday that "as time goes y, we will look outside and take advantage of the work already done by Peabody"

Mr Devaney, who would be joint chief executive with Mr Irl F Engelhardt of Peabody, said the group would be a significant force in the world

fter a meri

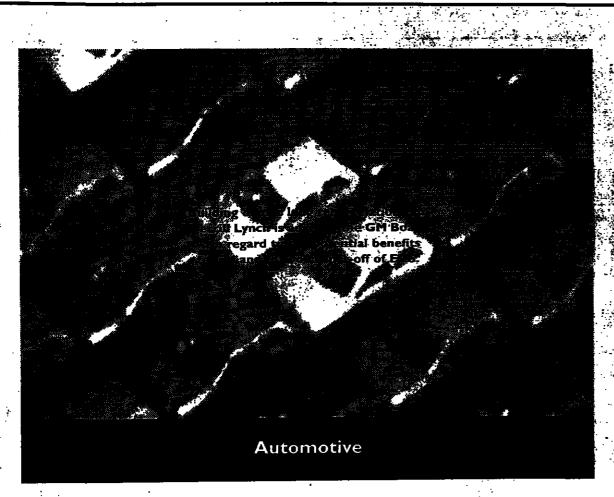


Across borders.

Across industries.



One firm's advice, capabilities and commitment to its clients made a world of difference.



AB Volvo acquired the 50% it did not already own of VME Group N.V. from Clark Equipment Company \$573,000,000

Arvin Industries, Inc.'s majority owned subsidiary Space Industries International, Inc. was acquired by a management group \$42,600,000

Chrysler Financial Corporation Retail Auto Loan Securitization \$1,249,987,527

Dana Corporation acquired the 43% it did not already own of Hayes-Dana, Inc. \$82,700,000

Detroit Diesel Corporation acquired VM Motori SpA from Montagu Private Equity Limited \$125,000,000

Ford Motor Company TOPrS™ Exchange Offer \$631,838,300

Deal of the Year

General Motors Corporation deration of potential split-off of Electronic Data Systems Corporation \$25,000,000,000

General Motors Corporation Tender Offer for various series of Fixed Rate Preference Stock \$1,290,224,000

General Motors Corporation contributed 173 million shares of GM Class E Common Stock (Electronic Data Systems Corporation) to the GM U.S. Hourly-Rate Employees Pension Plan

\$6,900,000,000

Key Manufacturing Group Limited Partnership was acquired by JPE, Inc. Value not disclosed

Larizza Industries, Inc. was acquired by Collins & Aikman Corporation \$174,000,000

Snap-on Incorporated acquired an additional 60% stake in EDGE Diagnostic Systems Value not disclosed

Snap-on Incorporated acquired Consolidated Devices, Inc. Value not disclosed

Snap-on Incorporated acquired Herramientas Eurotools, S.A. Value not disclosed Toyota Motor Credit

Согротатіоп Eurobond \$750,000,000 Volvo Group Finance Europe BV Samurai Bond

¥15,000,000,000 World Omni Financial Согр. (a subsidiary of JM Family Enterprises, Inc.) Retail Auto Lease Securitization

\$675,416,081

Capital Goods

Danaher Corporation

SKR502,773,000 Case Credit Corporation Equipment Contracts Securitization \$650,000,000

Caterpillar Financial Services Corporation Equipment Contracts Securitiza \$459,119,445

Caterpillar Inc. bas agreed to acquire an equity stake in F.G. Wilson (Engineering) Limited Emerson Electric Co. Value not disclosed

Ampheuol Corporation

Common Stock

\$93,000,000

AVX Corporation

Common Stock

\$557,000,000

CARDO AB

Common Stock

Coats Viyella Plc through its subsidiary Dynacast International Ltd. acquired

BACE Manufacturing, \$102,000,000

acquired Joslyn Corporation \$245,000,000 Elsag Bailey Process Automation N.V.

(a company of the neccanica Group) acquired Hartmann & Braun from Mannesmann AG \$718,000,000

Elsag Bailey Process Automation N.V. Common Stock: \$60,000,000 ESSTAR Incorporated

was acquired by Adas Copço AB \$570,000,000

1682

فيا الكلام After advising State Mutual surance Company of Americ conversion to Allimerica Fi Corporation; Merrili Eync

Financial Institutions

Evcon Holdings Inc. was acquired by York International Corporation \$133,000,000

Fluor Corporation has agreed to acquire a 54.5% stake in Groundwater Technology, Inc. Value not disclosed.

General Signal Corporation has agreed to sell its Leeds & Northrup Division en various buyers Value not disclosed

Giddings & Lewis, Inc. acquired Fadal Engineering Co., Inc. \$180,000,000

Ingersoll-Rand Company acquired Clark Equipment Company \$1,500,000,000 Instruform Technologies, Inc

acquired

Instruform Mid-America, Inc.

\$189,000,000

IRO AB Common Stock SKR730,000,000

Kernet Corporation Common Stock \$146,000,000

The Lincoln Electric Company Common Stock \$129,000,000

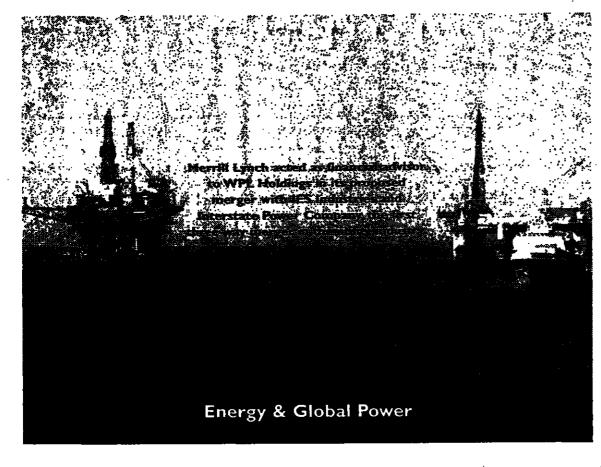
Tyco International Ltd. Common Stock \$432,000,000

United Technologies Corporation through its subsidiary Otis Elevator Company acquired Boral Building Technologies from

> Waters Corporation Common Stock \$166,000,000

Boral Ltd.

Value not disclosed



Apache Corporation \$204,000,000

Arethusa (Off-Shore) Limited has agreed to be acquired by Diamond Otfshore Drilling, Inc. \$666,000,000 Atlanta Gas

Common Stock \$50,000,000 Atlantic Richfield Company acquired a minority stake in Russian state-owned Lukoil through the acquisition of

Light Company

\$250,000,000 BJ Services Company acquired The Western Company of North America \$519,000,000

convertible bonds

Citizens Utilities Company Class B Shares \$254,000,000

Consolidated Natural Gas Company \$150,000,000

Cross Timbers Oil Company Common Stock \$61,000,000

DEKALB Energy Company merged with Apache Corporation \$285,000,000

Delmarva Power &

Light Company acquired Conowingo Power Company from PECO Energy Company

\$150,000,000 DLB Oil & Gas, Inc. Common Stock \$30,000,000

Eron Corp.

Notes \$100,000,000 First Reserve Gas Company was acquired by Crystal Oil Company

\$78,000,000

Hydro-Quebec \$300,000,000

MCN Corporation Common Stock \$103,000,000 Magyar Olaj-es Gazipari Rt. Global Depositary Shares \$165,000,000

Debentures

NorAm Energy Corp. Notes \$200,000,000 Panhandle Eastern Corporation Debentures \$200,000,000

Petro-Canada Common Stock \$1,350,000,000 Santa Fe International Corporation sold certain oil and gas assets to various buyers

Deal of the Year Tennessee Valley Authority \$1,000,000,000

\$436,000,000

Texas Meridian Resources Corporation \$40,000,000

Tidewater inc. has agreed to acquire Hombeck Offshore Services, Inc. \$271,000,000

Breakthrough Deal Transco Energy Compan merged with The Williams Companies, Inc \$3,000,000,000

United Meridian

Corporation

Senior Subordinated Notes \$150,000,000 Weatherford International Incorporated merged with Enterra Corporation \$690,000,000

WPL Holdings, Inc. has agreed to a three-way merger with IES Industries Inc. and Interstate Power Company \$3,800,000,000

Abbey National plc STG200,000,000 Exchangeable Capital Securities STG100,000,000 Preference Shares Allmerica Financial Corporation

\$266,000,000 Argentaria Capital Funding Ltd.

Preference Shares DM200,000,000 Banco Comercial Português, S.A. in parmership with Companhia de Seguros Império acquired

Banco Português do Arlântico \$2,085,200,000 Banco Nacional de Mexico Electronic Transfer Master Trust 9.35% Certificates \$206,500,000

Bank of Boston Corporation has agreed to acquire BayBanks, Inc. \$2,100,000,000 Bank South Corporation was acquired by

NationsBank Corporatio

\$1,600,000,000

Preferred Stock \$125,000,000

Corporación Andina de Fomento Yankee Bond \$250,000,000 First USA, Inc. \$401,000,000

Pleet Financial Group has agreed to acquire NatWest Bank N.A. \$3,300,000,000 Fleet Financial Group conversion of 50% ownership in Pleet Banking Group to

\$961,000,000 KFW international Finance Inc. Yankee Bond \$250,000,000

including

Kohlberg Kravis Roberts has agreed to acquire Talegen Holdings, Inc., The Resolution Group, Inc. from a division of Xerox Corporation \$2,700,000,000

Liberty Mutual 8.20% Surplus Notes \$250,000,000

MBNA Corporation 7.50% Cumularive Preferred Stock \$150,000,000 Breakthrough Deal

Merrill Lynch & Co., Inc. 6.50% STRYPES" Payable with shares of common stock of MGIC \$258,000,000

Deal of the Year Merrill Lynch & Co., Inc acquired Smith New Court PLC \$842,000,000

Merrill Lynch & Co., Inc. Samurai Bond ¥40,000,000,000

Midlantic Corporation was acquired by PNC Bank Corp. \$3,100,000,000

National City Corporation has agreed to acquire Integra Financial Corporation \$2,100,000,000

Holdings Ltd. Common Stock \$61,000,000

South Trust Corporation Common Stock \$94,000,000

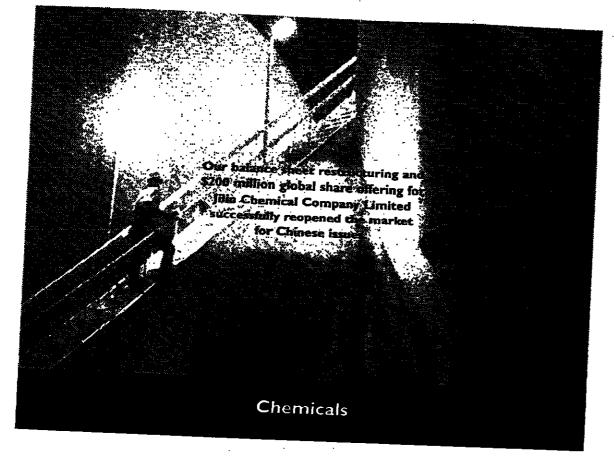
Breakthrough Deal SunAmerica Inc. TOPrS^M Exchange Offer \$248,000,000

Swiss Bank Corporation Subordinated Notes and \$1,000,000,000

UJB Financial Corporation has agreed to acquire The Summit Bancorporation

\$1,200,000,000

United Companies Financial Corporation 6.75%. PRIDESM Convertible Preferred Stock \$86,000,000



Applied Extrusion Technologies, Inc. Common Stock \$52,000,000

Cabor Corporation sold the business of Cabot Safety Corporation to a company formed by Vestar Equity Partners, L.P., management and Cabor Corporation \$205,000,000

CBI Industries, Inc. defense with respect to an unsolicited offer for its Liquid Carbonic subsidiary from Airgas, Inc. \$1,450,000,000

CBI Industries, Inc. has agreed to be acquired by Praxair, Inc. \$2,400,000,000

Ferro Corporation acquired the hetic Products Company

from Cookson Group PLC \$92,000,000 FMC Corporation acquired Moorco International, Inc.

W.R. Grace & Co. pending spin-off of its National Medical Care, Inc. subsidiary \$3,500,000,000

\$320,000,000

Jiliu Chemical Judustrial Company Limited Global coordinator for initial public offering \$200,000,000

MacDermid Incorporated acquired the Electronics and Printing Division of Hercules incorporated \$130,000,000

Monsanto Company acquired the Kelco Division of Merck & Co., Inc. \$1,075,000,000 Pratt & Lambert United Inc.

was acquired by

The Sherwin-Williams Company

\$482,000,000

Deal of the Year

has agreed to acquire St. Ives Laboratories, Inc. \$120,000,000 Auto-Shade, Inc. was acquired by

Value not disclosed Cadbury Schweppes Preference Shares

De Rigo American Depositary Shares \$142,000,000

Consumer Products/Food & Beverage The Dial Corp

The Alberto-Culver Company

a company formed by Code, Hennessy &: Simmons II, L.P.

\$400,000,000

acquired Giltspur, Inc. a wholly owned subsidiary of Unigate PLC Value not disclosed

Duracell International Inc. Common Stock \$686,000,000

Golden Cat Corporation was acquired by Ralston Purina Compani Value not disclosed Industri Kapital 1989 Ltd

and AB Fortos sold Partena AB to Financière Sodexho S.A. and Sodexho S.A. \$235,000,000

Macluan Capital (Nevada) Inc. was acquired by an affiliate of Madison Dearborn Partners Capital, L.P. \$192,500,000

Mavesa S.A. acquired Yukery Venezolana de Alimentos C.A. Value not disclosed

Nabisco, Inc. Commercial Paper Oakley, Inc. Common Stock \$265,000,000

Paragon Trade Brands, Inc. has agreed to acquire the Disposable Diaper Business of Pope & Talbot, Inc. \$65,000,000

Deal of the Year RJR Nabisco, Inc. TOPrS'" Exchange Offer \$950,000,000

RJR Nabisco, Inc. Consent/Exchange Solicitation

\$5,400,000,000 Sysco Corporation

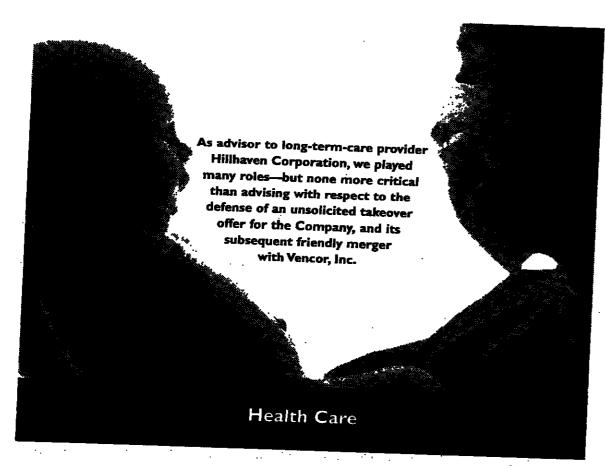
Notes \$150,000,000

Tyson Foods Medium Term Notes

\$1.50,000,000 Zenith Electronics Corporation sold a majority stake

in the company to

LG Electronics Inc. \$351,000,000



Access Health, Inc. Common Stock \$102,000,000

Allergan, Inc. established a newly formed mpany to fund its venture with Ligand Pharmaceuticals \$100,000,000

Boston Scientific Corporation acquired SCIMED Life Systems, Inc. \$1,007,000,000

CareerStaff Unlimited, Inc. was acquired by Sun Healthcare Group, Inc. \$119,000,000

Continental Medical Systems, Inc. was acquired by Horizon Healthcare Corporation \$775,000,000

Dura Pharmaceuticals, Inc. Common Stock \$57,000,000

Genesis Health Ventures, Inc. Senior Subordinated \$120,000,000

Health Care Property Investors Common Stock \$50,000,000

Health Trust, Inc.-The Hospital Company merged with Columbia/HCA Healthcare Corporation

\$5,260,000,000 Hillhaven Corporation was acquired by Vencor, Inc. \$1,978,000,000

Hillhaven Corporation acquired Nationwide Care Inc. \$175,000,000

OrNda HealthCorp Common Srock \$203,000,000

Pyxis Corporation acquired Allied Pharmacy Management Inc. \$48,000,000

Roche Holdings, Inc. sold Syva Company to a subsidiary of Hoechst AG Value not disclosed

Roche Holdings, Inc. LYONsiv \$2,150,000,000 Schering-Plough Corporation sold its Wesley-Jessen contact lens business to

Bain Capital, Inc. \$47,500,000 SmithKline Beecham Capital Inc. Notes

SFR100,000,000

Synaptic Pharmaceutical Corporation Common Stock

\$28,000,000 Tenet Healthcare Corporation sold its International Hospital Division to various buyers \$427,300,000

United Wisconsin Services, Inc. Common Stock \$51,000,000

WellPoint Health Networks Inc. pending recapitalization through a cash dividend followed by a reverse stock split \$1,225,000,000

WellPoint Health Networks Inc. has agreed to acquire the Group Life and Health unit of Massachussetts Murual Life Insurance Company \$380,000,000

Fulfilling the financial needs of corporations, governments and institutions is a growing challenge.

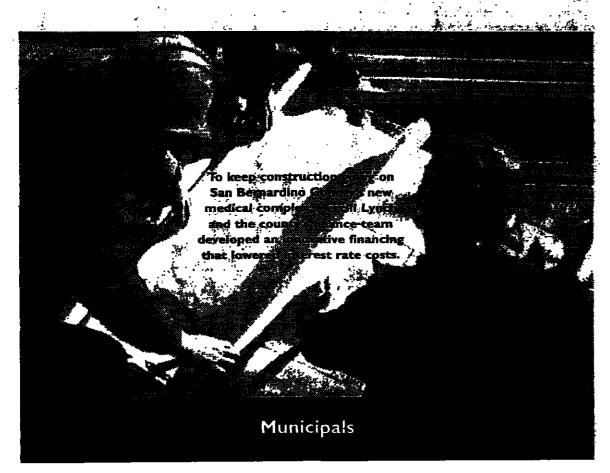
For corporations worldwide it was a year of consolidation and reorganization. For governments and institutions, the global search for capital intensified. In-depth knowledge of global industries, economies and markets were critical to the success of any endeavor.

One firm delivered this knowledge to clients throughout the world.

The difference is Merrill Lynch.



A tradition of trust.



California Housing Finance Agency Home Mortgage Revenue Bonds \$159,965,000

County of Los Angeles Taxable Pension Obligation Bonds \$600,000,000

> Dade County, Florida Water and Sewer System Revenue Bouds \$346,820,000

Dallas-Fort Worth International Airport Facility Improvement Corporation/American Airlines, Inc. Revenue Bonds

\$126,240,000

Dormitory Authority of the State of New York State University Educational Facilities Revenue Bonds \$291,420,000

Florida Housing Finance Agency Нопеоwпет Моггдаде Revenue Bonds \$94,650,000

Massachusetts Health and Educational Facilities Authority Newton-Wellesley Hospital \$85,395,000

New York State Urban Development Corporation Correctional Capital Facilities Revenue Bonds \$282,170,000

Deal of the Year

San Bernardino County, California Certificates of Participation \$363,265,000

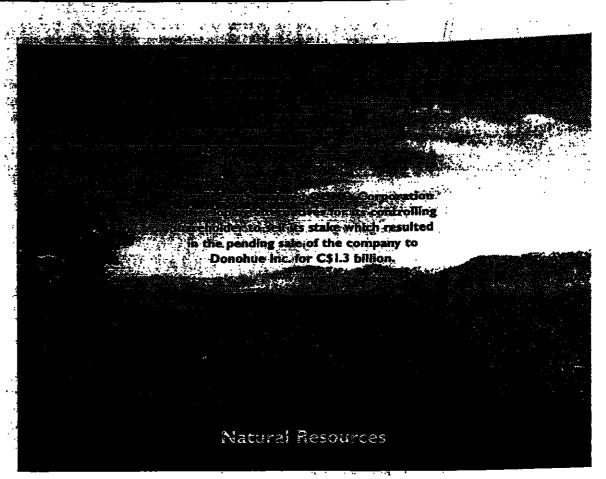
The School District of Philadelphia, Pennsylvania Various Purpose General Obligation Bonds \$217,455,000

State of Connecticut Special Tax Obligation and Refunding Bonds \$335,630,000

State of Hawaii General Obligation Bonds \$268,000,000

State of Washington General Obligation Bonds \$268,900,000

Turupike Authority of Kentucky Economic Development Road Revenue and Refunding Bonds \$237,890,000



AMAX Gold Bank Loan Syndication Senior Term Loan

\$250,000,000 Bowater Incorporated Security Tenders Notes \$325,000,000 Preferred Stock

\$82,000,000

Buckeye Cellulose Corporation Common Stock \$152,000,000 Senior Subordinated Notes \$150,000,000

\$65,000,000 monwealth Aluminu Corporation Common Stock \$126,000,000

Senior Notes Tender

CSS Industries, Inc. acquired Cleo Inc. from Gibson Greetings, Inc. \$128,500,000

Dubai Alu Company Limited Aluminum-linked Loan \$250,000,000

James River Corporation . of Virginia spin-off of Grown Vantage Inc. \$825,000,000

JCI Limited demerged from Johannesburg Consolidated nvestment Company, Limited as a publicly-traded company \$1,100,000,000

> Deal of the Year Jefferson Smurfit Group plc Yankee Notes and Debentures \$600,000,000

Mail-Well, Inc. Common Stock \$70,000,000

Mail-Well, Inc. acquired Supremex Inc. \$61,000,000

OUNO Corporation has agreed to be acquired by Donobue Inc. C\$1,300,000,000 **QUNO Corporation**

\$150,000,000 Sahaviriya Steel Industry **Public Company Limited** Convertible Bonds

Senior Notes

\$110,000,000 Usinor Sacilor acquired the 41.1% it did not already own of Ugine s.a.

> \$760,000,000 Usinor Sacilor **Ordinary Shares** \$153,000,000

Voest-Alpine Stahl AG Ordinary Shares ATS3,191,000,000

coordinator for Portugal Telecom's

\$982 million privatization,

successfully initiating Fortugal's

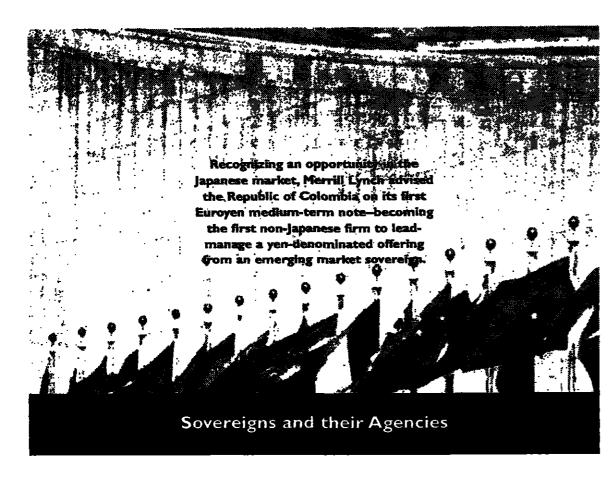
privatization program.

Veritas Capital Inc. through Bar Technologies Inc. has agreed to acquire Bliss & Laughlin Industries Inc. \$52,000,000

Western Waste Industries has agreed to merge with USA Waste Services, Inc. \$536,500,000

Westmoreland Coal Company sold its remaining Hampton Division assets to Burco Resources Corp., Wind River Resources Corporation and Penn Virginia Coal Company Value not disclosed

Westvaco Corporation sold its domestic Container Division to Weyerhaeuser Company Value not disclosed



Asian Finance & Investment Corporation (AFIC) Euro Medium Term Notes \$300,000,000

The British Railways Board has sold

Racal Electronics Pic (advised H M Government of the United Kingdom) \$393,000,000

Federal National Mortgage Association (Fannie Mae) 10 year callable Global Bond \$1,000,000,000

Deal of the Year

Canada 5 year Global Bond joint lead managed with Deutsche Bank \$1,500,000,000

Canada 10 year Global Bond joint lead managed with Deutsche Bank \$1,500,000,000

والمنطق والاستناء فيستنشق والأكال والمنافقة عاملا وجوا

Industrial Finance Corporation of Thailand (IFCT) Euro Medium Term Notes

\$500,000,000

Japan Finance Corporation for Municipal Enterprises Yankee Bond \$300,000,000

> Japan Highway Eurodollar \$500,000,000

Petróleos del Perú S.A. Pending Privatization Value not disclosed

The Republic of Colombia Euroyen Bond ¥15,000,000,000 Republic of Portugal

Global Bond

FF 6,000,000

Telecommunications, Media & Technology AT&T Universal Card Services Corp. Credit Card Securitization Hollinger Inc. corporate reorganizatio

\$2,338,125,000 Breakthrough Deal Australis Media Limited Discount Notes \$175,000,000

Compania Anonima Nacional Telefono de Venezuela (CANTV) Debt Restructuring \$950,000,000 Daily Mail & General Trust plc Eurobonds

STG100,000,000 Dow Jones & Company in parmership with ITT Corporation agreed to acquire WNYC-TV from The City of New York \$207,000,000

DST Systems, Inc. Common Stock \$531,000,000 General Motors Corporation

secondary sale by GM U.S. Hourly-Rate Employees Pension Plan of Class E Common Stock (Electronic Data Systems Corporation) \$1,803,000,000

cluding the transfer of its 63.3% interest in The Telegraph pic to iollinger International Inc. \$550,000,000

Hyundai Electronics Industries Co., Ltd. equired the 63% it did not already own of Maxror Corporation \$395,000,000 Infinity Broadcasting Corporation

\$279,000,000 International Business Machines Corporation Tender offer for Preferred Shares \$852,000,000

International Maritime Satellite Organization (Inmarsat) Formed ICO Global nications with an initial equity capitalization \$1,400,000,000

K-III Communications Corporation Common Stock \$173,000,000

Korea Mobile nications Corp. Global Depositary Shares \$150,000,000

NEXTEL Communications, Inc. sold up to a 23.1% equity stake to Craig O. McCaw and his Family \$1,100,000,000

> Deal of the Year PT Telkomunikasi Indonesia (Persero) Global coordinator for initial public offering \$1,680,000,000

Portugal Telecom, S.A. ESC18,480,000,000

Deal of the Year

The E.W. Scripps Company has agreed to sell its cable business to Comcast Corporation \$1,575,000,000 SHL Systembouse Inc.

was acquired by
MCI Communications Corporation \$1,223,000,000 Sprint Telecommunications

Venture acquired personal ations services licenses in 29 markets \$2,100,000,000

TCI Communications, Inc. \$750,000,000 Debentures \$350,000,000 Notes Tele-Communications International, Inc. Class A Shares \$320,000,000

Deal of the Year Telefónica de España, S.A Global coordinator for public offering \$1,336,000,000

Telstra Corporation Limited Commercial Paper Time Warner Capital I

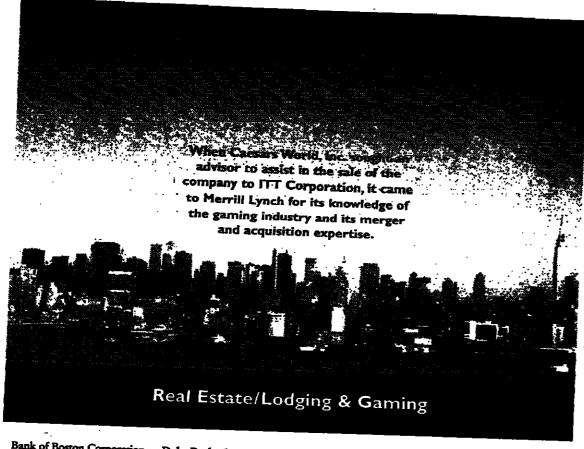
\$575,000,000

TOPrS'4

Deal of the Year

Turner Broadcasting System, Inc. has agreed to merge with Time Warner Inc. \$10,900,000,000

United States Cellular Corporation LYONs ru \$745,000,000 US West Financial I TOPISM \$600,000,000



Bank of Boston Corporation sold a portfolio of performing and non performing loans \$186,000,000 Beacon Properties Corporation Common Stock

\$154,000,000 Bedford Property Investors, Inc. Convertible Preferred Stock \$50,000,000

Bristol Hotel Company
Common Stock
\$100,000,000
Caesars World, Inc.
was acquired by

S1,785,000,000
Carr Realty Corporation
has agreed to sell a 39% stake to
Security Capital U.S. Realty
\$250,000,000

Chateau Properties, Inc. Senior Notes \$75,000,000 Colony Investors II, L.P. Private Equity Fund

\$625,000,000 Crescent Real Estate Equities, Inc. Common Srock \$146,000,000 Duke Realty Investments, Inc.
Notes \$150,000,000
Common Stock \$102,000,000
Equity Residential
Properties Trust
Cumulative Redeemable
Preferred Shares

Cumulative Redeemable Preferred Shares \$275,000,000 Notes \$125,000,000 Excel Realty Trust, Inc. Common Stock

\$40,000,000
Franchise Finance
Corporation of America
Senior Notes
\$200,000,000

HFS Incorporated acquired Century 21 Real Estate Corporation from Metropolitan Life Insurance Company \$200,000,000

Highwoods Properties, Inc. acquired Forsyth Properties Inc. \$168,000,000 Common Stock \$235,000,000

Irvine Apartment Communities Common Stock \$89,000,000 JP Realty, Inc. Common Stock \$56,000,000 Kimco Realty Corporation Common Stock \$74,000,000

Common Stock \$74,000,000
Cumulative Redeemable
Preferred Shares
\$50,000,000
New Plan Realty Trust
Senior Notes
\$100,000,000

Post Properties, Inc.
Common Stock
\$118,000,000

Realty Income Corporation

Common Stock
\$50,000,000
Reckson Associates
Realty Corp.
Common Stock
\$171,000,000
Shurgard Storage Centers

\$113,000,000
Simon Property Group
Common Stock
\$151,000,000
Starwood Lodging Trust

Starwood Lodging Trust acquired a 70% stake in Hotel Investors Trust \$300,000,000 Paired Shares \$271,000,000 Storage Trust Realty Common Stock \$58,000,000

The Price REIT, Inc. Senior Notes \$100,000,000 TriNet Corporate Realty Trust, Inc.

Common Stock \$129,000,000 United Dominion Realty Trust Common Stock

\$65,000,000

Cumulative Redeemable
Preferred Stock
\$100,000,000
Voruado Realty Trust
acquired a 27.1% stake in
Alexander's Inc. from
Citibank, N.A.

\$55,000,000 Common Srock \$85,000,000 Washington RETT Common Stock \$52,000,000

Wellsford Residential Property Trust Senior Notes \$125,000,000 Preferred Stock \$50,000,000



Authentic Fitness Common Stock

\$54,000,000

Boston Chicken, Inc.
LYONsTM
\$828,000,000

Common Stock

\$357,000,000

Broadway Stores, Inc.
was acquired by
Federated Department Stores, Inc.
\$1,619,000,000

A.D. Clark, Inc.
was acquired by
American Stores Company
\$35,000,000

Companhia Brasileira de Distribuição Grupo Pão de Acúcar Global Depositary Shares \$112,000,000 Eckerd Corporation
Common Stock \$252,000,000

Common Stock \$199,000,000 Intelligent Electronics, Inc. acquired the 69,4% it did not already own of The Future Now, Inc. \$85,000,000

Istituto per la Ricostruzione Industriale S.p.A. (IRI) has agreed to sell SME S.p.A. to a consortium led by Edizione Holding S.p.A. (Benetton), Movenpick AG,

La Leonardo Finanziaria s.e.l.
[Luxottica] and
CREDIOP S.p.A. (co-advisor)
\$1,400,000,000
Kenneth Cole Productions

Kenneth Cole Productions, Inc. Class A Shares \$50,000,000 Lowes Companies Senior Notes

\$100,000,000

Luxottica Group S.p.A.
sold its Women's Specialty
Retailing Group to
La Leonardo Finanziaria s.c.l.
Value not disclosed

National Convenience Stores Incorporated was acquired by Diamond Shamrock, Inc. \$260,000,000

Nine West Group Inc. acquired the Footwear Business of U.S. Shoe Corporation \$600,000,000

> Office Depot Common Stock \$521,000,000

Pathmark Stores, Inc. sold the assets of its 30 free-standing drug stores to Rite Aid Corporation

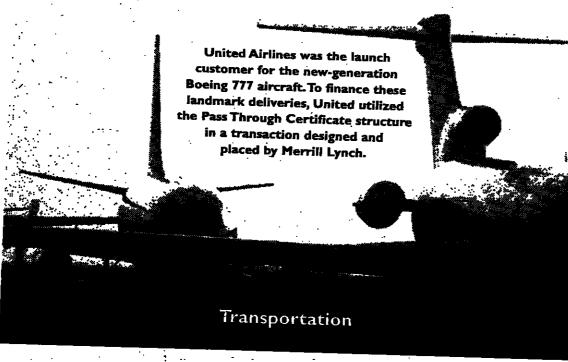
\$63,600,000

J.C. Penney Company, Inc. through its wholly owned subsidiary

Thrift Drug, Inc. acquired Kerr Drug Stores, Inc. \$81,000,000

Sears, Roebuck and Co.
Retail Credit Card
Securitization
\$523,000,000

The Warnaco Group, Inc. Class A Shares \$254,000,000



Alaska Air Group, Inc.
Convertible Senior Debentures

\$132,000,000
Alleghany Corporation advised on its investment in Burlington Northern/
Santa Fe Corporation Common Stock
\$254,000,000

AMR Corporation refinancing of special purpose facilities at Dallas-Fort Worth and Nashillas airports

\$195,000,000 Atlas Air, Inc. Common Stock \$74,000,000

Atlas Air, Inc.
Pass Through Certificates
\$100,000,000

Commonwealth Governme of Australia advised on privatization of Qantas Airways, Ltd. \$1,100,000,000 Continental Airlines
Finance Trust
Convertible TOPrS^{NI}
\$250,000,000

Continental Airlines, Inc. advised on repurchase of 6,217,635 Series A and B Warrants from Air Canada \$55,000,000

Federal Express Corporation Pass Through Certificates \$123,000,000

HighwayMaster Communications, Inc. Common Stock \$79,000,000

Iberia, Líneas Aéreas de España valuation of Latin American Holdings, Aerolíneas Argentinas, VIASA and Ladeco

VIASA and Ladeco

J.B. Hunt Transport Services, Inc.

Medium Term Notes
\$150,000,000

LOT Polish Airlines
Loan Syndication
\$25,000,000

Northwest Airlines, Inc. refinancing of special purpos facilities at Detroit and Los Angeles airports \$193,000,000

Penske Truck Leasing Co., L.P. Medium Term Notes \$500,000,000

Penske Truck Leasing Co. acquired Leaseway Transportation Corp. \$230,000,000

Rollins Truck Leasing Corp. Collareral Trust Debentures \$150,000,000

Ryder System Medium Term Notes \$300,000,000

Société Nationale des Chemins de Fer Belges (SNCB) Euro Medium Term Notes \$500,000,000

United Airlines
Pass Through Certificates
\$246,000,000

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But equally important it demands

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Schozed 1995 transactions.

The "Deal of the Year" or "Breakthrough Deal" notations represent awards won to at least one of the following publications in the uses of "Deal of the Approved tor publication in the like in Merrill Landson Remediag Review, and in the case of "Breakthrough Deal" foreign of "Deal of the

Farnell faces potential revolt

Owners of at least 10 per cent of the shares in Farnell Electronics are planning to vote against a proposed £1.85bn (\$2.84bn) takeover unless the company and its advisers can dissuade them ahead of an extraordinary meeting next

The potential revolt threatens Farnell's plans to create the world's third largest electronic component distributor through the acquisition of Premier Industrial Corporation. To go through the deal needs the support of 75 per cent of the shares voted at the extraordinary meeting. If 40 per cent of Farnell's shares are voted at the meeting, in line with other company meetings, then the proposal will fall if more than 10 per cent of the votes are

"We are highly concerned about the deal," one large insti-tutional shareholder said yesterday. "We have asked the company to provide more information and have told them that as things stand we are minded to vote against the None of the critical institu-

tional shareholders said they were willing to be named. Mr Howard Poulson, Farnell chief executive, admitted the "shock effect" of the deal had left many shareholders nervous. But he said: "When we have been to see fund manag-ers, sometimes for the second time, they have seen the compelling industrial logic of this deal. The mood has definitley shifted in recent days."

As evidence to this, he pointed to the rise in the group's shares, which had recovered 20p - to 637p - of their 61p loss on the day of the Farnell announced its take

over last Wednesday. It is proposing to buy a company valued at \$2bn on the New York market, against its own capitalisation of £950m, while the £1.85bn price tag is at a 40 per cent premium to Premier's price. Farnell is proposing a mixture of debt, cash, shares and a rights issue to pay for



Howard Poulson: claims mood has shifted in recent days

Some shareholders have raised concerns over the effect on earnings, seeing dilution until the end of the century. m the first year and neutral by year two. There are also wor-ries about the Farnell manage-

Profits warnings increase in disturbing trend

By Philip Coggan

Two more companies, QS Holdings, the retailer, and Jones Group, the shipping and engineering company, yester-day warned of worse than ex-pected figures, adding to what has been a distarting trend in the UK results season so far. The peak time for the report-ing of full-year figures is in

March and April and companies have been making statements with the aim of persuading the market to reduce over-optimistic profits fore-The retailing sector has been

responsible for a significant number of warnings, with groups such as W. H. Smith, J. Sainsbury and Austin Reed disappointing investors. But Mr Murray Wilson, UK strate gist at NatWest Securities, noints out that some retailers such as Next and Dixons, have reported good figures, indicating that the risk in the sector is highly company-specific.
"Although consumer spending has picked up, they are still pretty fussy about where they

Spend their money" he says.

QS Holdings, which sells discount clothing, made a first-half profits warning last July. It said that trading in the sec-ond half had been at-break-even level. While sales had picked up in December, QS said this was not enough to offset disappointing autumn trading. The company does not plan a fînal dividend.

While Jones Group is Dublinlisted, its problems were partly caused by the weak UK con-

A slowing economy, both in the UK and continental Europe, is one of the main reasons why companies seem to be having problems in maintaining the previously rapid rate of profits growth. Problems in the German housing market, for example, prompted Redland and RMC, the building materials groups, to issue warnings this month. Mr George Hodgson, UK equity strategist at SBC Warburg, says: "Whereas last year many arnings were related to margins, there's a whiff of poor volume growth about the latest

One consequence of a slow ing economy for some compa-nies has been the build-up of stocks. Management may well respond by reducing produc tion to unwind the problem, with inevitable knock-on

In spite of these problems, profits across the UK corporate sector are still growing. How ever, companies have damped down over-optimistic forecasts Mr Mark Brown, head of strategy and economics at ABN-Amro Hoare Govett, said:

"Six to 12 months ago, expectations for profits growth were unrealistic and since last sum-mer there has been a gradual adjustment. Our bottom-up forecasts for 1996 non-financial earnings growth, based on the predictions of individual company analysts, dropped from 18 per cent in the summer to 12 per cent at the start of the year and 9.5 per cent now."

LEX COMMENT

KPMG deserves credit for publishing the accountancy profession's first proper am report and accounts. Of 250 course, the move is not entirely voluntary: it is part of the firm's plans to turn its audit arm into a limited liability company, to protect the personal assets of its partners. But KPMG can argue - with some justification - that greater openness should help its business. Clients will know that it is not making obscene profits;

1994 1995 potential recruits will have a better idea of the rewards on

In the short term, however, these - unaudited reveal that times are not so good for the firm. While revenues rose 7 per cent and KPMG has a leading 25 per cent market share in its core auditing business, profits fell 28 per cent last year. Margins have been whittled down to 3 per cent, cash flow is highly seasonal and, as in most "people businesses". there is comparatively little in the way of asset backing. Nonetheless, partners average pay rose by a tenth to 125,000 in 1995, with a rather larger increase for Mr Colin Sharman, senior partner. Including pension contributions and profit share, the average package amounted to more than £180,000. That is broadly comparable with the remuneration of directors in companies with a similar turnover, but few com-

anies have 565 directors. To be fair, the risks of unlimited liability deserve a higher return. But that suggests that once the audit arm has been incorporated the audit partners should think about reducing their rewards to reflect the reduced risk.

Gehe may bid for Lloyds Chemists despite rival offer from UniChem

By Patrick Harverson

Gehe of Germany yesterday confirmed it may launch a bid for Lloyds Chemists, the UK drugs retailer which has agreed to a rival £528m offer from UniChem, Britain's leading pharmaceuticals wholesaler. Gehe, the largest drugs wholesaler in

Europe, said it had requested information

or not it wishes to make an offer". The statement followed market speculation that the German group was preparing to do battle with UniChem for Lloyds.

If Gehe does make an offer it would represent the group's second big UK bid in a year. In May, Gehe paid £400m for AAH, another UK drugs wholesaler. At the time,

from Lloyds and was "considering whether Mr Dieter Kämmerer, chairman of Gehe's management board, said the AAH purchase would be the last big acquisition for some time.

UniChem's agreed offer for Lloyds values its ordinary shares at 408p each, and analysts said vesterday they believed any hostile counter bid would have to be worth

Greenalls replaces Forte in FT-SE 100

Greenalls Group, the pubs and hotels company, is replacing Forte in the FT-SE 100 index of the UK's leading companies following Granada's victory in its £3.9bn takeover battle for

Volafone Group, the mobile communications company, will take Forte's place in the FT Ordinary, or 30-share index. Forte has been a constituent of the FT 30, the oldest continuous

FT-SE Mid 250 index, and Henlys also becomes a constituent of the FT-SE Actuaries Lower Yield Index. The changes took effect after the close of stock market

of Gates Rubber for \$1.4bn groups. It already owns 16 per Additionally, Tomkins will spend two to three years runto buy an additional 10 per cent of E-Plus, the German Celltech chief has £6.2m options Vodafone, the UK mobile

Tomkins clinched its first big acquisition in three years yes-terday when the UK industrial conglomerate agreed to acquire Gates Rubber, the privately-owned US automotive and industrial components The UK group is paying \$1.16bn for Gates, to be financed by two issues of convertible stock which will leave

the Gates family as Tomkins'

largest single shareholder

use existing cash reserves to pay off Gates' debts of \$240m. making it the largest acquisition by Tomkins since it paid £935m for Ranks Hovis McDougall, the foods group, in

Even after paying Gates' debts Tomkins will still have cash resources of at least £140m, but yesterday Mr Greg Hutchings, Tomkins' chair-man, ruled out any other

Shareholders are particularly upset at the timing of the

warning, coming just 10 weeks

after the company, had a £15m

(\$23m) rights issue at 535p a

The shares have also now

ning a new acquisition before considering further purchases. Mr Hutchings said the Gates' acquisition - which will be earnings enhancing presented significant opportu-

nities for the enlarged group. Gates is the world's largest manufacturer of power transmission belts and industrial to September 30 1995 the group made pre-tax profits of \$85.5m on sales of \$1.18bn.

Tomkins completes purchase | Vodafone plans to double its stake in SFR to 20%

telecoms group, plans to dou-ble its stake in Société Francaise du Radiotéléphone to 20 Analysts said the purchase would cost Vodafone between

£300m and £350m (\$539.00). SFR, majority owned by Générale des Eaux, the French conglomerate, reported losses of FFr652m in 1995. Mr Philippe Glotin, SFR president, said he expected the UK in European mobile telephone

cent in the next few months. The option expires in June. Vodafone's interest in SFR,

which holds one of two French GSM licences, has been heightened by the rapid development of the French mobile telephone market. During the past six months the number of French mobile phone subscribers has risen 46 per cent.

The move fits with Vodafone's strategy to take stakes group co-owned by Thyssen and Veba, and 20 per cent of a

Other SFR shareholders include Southwestern Bell of the US, and Alcatel Alsthom of France. Mr Glotin said Alcatel Alsthom had given no indica-tion it wanted sell its stake, although Mr Serge Tchuruk, Alcatel Alsthom chairman, has announced a FFr10bn disposals

Bouygues in the red - Page 16

Angry shareholders press QSP chairman to resign

Angry institutional shareholders of Quality Software Products, the accountancy software group, are to press for the resignation of the chairman, and other senior management changes, amid growing dissent over Monday's profits

QSP shares, which fell 218p to 490p on Monday, tumbled a further 155p yesterday to 355p, a 50 per cent drop over the two

. 6 miles to Sept 30 ... 6 miles to Nov 26

RESULTS

Acquisitions help Wyko recovery to continue

neering company, confirmed its revived fortunes by nearly trebling interim pre-tax profits with the help of acquisitions, writes Geoff Dyer.

Current propositi (p)

fallen below the 380p at which they were first placed in the The West Midlands-based group, which made losses in market in March 1993. 1993 and 1994, improved pre-tax Last night, Mr Alan Mordain, chairman, said he would conprofits in the six months to October 31 from £740,000 to sider stepping aside. "If the £2.03m. The shares rose 8p to 95p. Analysts, surprised at the speed with which the group's new management team had shareholders were to ask for my resignation, I would have

Wyko Group, the industrial restored margins, up from 5.3 distribution and precision engiper cent to 7.2 per cent in the period, increased forecasts for full-year profits from £3.6m to £4.5m.

Industrial distribution, the largest division, which supplies components to manufacturing companies, doubled operating

profits to £2.3m (£1.14m).

Oswald Seals, acquired in August 1994, and Olympic Chevin, which was bought in March 1995 after a £7.85m rights issue, added £970,000 to

Carlton pays £5m for UK cable tv channel

Carlton Communications, the television and media services group, has become the first independent television company to own a UK cable channel. It bought the cable rights to SelecTV, which delivers programmes by satellite to more

than 900,000 homes. Mr Michael Green, chairman of Cariton, who is increasingly enthusiastic about the progress of cable in the UK, is paying £5.2m for the channel. Because owning a satellite-

delivered cable channel is in breach of broadcasting rules, Carlton will deposit the SelecTV shareholding in a "dead-locked" company, in which Carlton holds 50 per cent and a merchant bank holds 50 per cent.

This means that no-one is deemed legally to have control and so gets round the restric-

The Carlton deal is part of a £46m dismemberment of

an indirect subsidiary of Pearson, which owns the Financial Times, is paying 29p a share for SelecTV, valuing the company at about 246m.

Pearson Television said that it would acquire the programme production and distribution business of SelecTV for about £8m net of the cost of the overall transaction.

The main asset being sold by SelecTV, which yesterday announced a pre-tax loss for the six months to the end of September of £3.09m (£517.000 profit), was a 15 per cent stake in Meridian, the ITV franchise for south-east England.

The stake will go to MAI, the broadcasting and financial services company which controls Meridian, for about £27m cash. As a result, MAI's stake in Meridian will increase from 61 per cent to 76 per cent.

MAI also announced it was selling part of its stake in Vil-lage Roadshow, an Australian entertainment business, for

Forte, it was announced last night.

index covering UK equities, since November 1983.

Greenalls Group is being replaced by Henlys Group in the

executive of Celltech, the biotechnology company, accumulated share options by September 1995 that would give a net profit of £6.2m (\$9.54m) if exercised at . yesterday's closing prices. according to the company's annual report, published yesterday. In December, he exercised 605,000 of his 1,25m options, making a net profit of £1.9m. Mr Fellner heads one of the UK's fastestgrowing biotechnology companies, which employs

Mr Peter Fellner, left, chief

500 people and whose share price rose from 207p to 434p in the year to September 30. Shares closed yesterday at 683p. He was paid a salary of £353,300 in the year to September 1995 (£341,100). The company also paid pension contributions worth £110,334 (£108,093).

Celltech made a pre-tax loss of £5.4m in 1995, compared with

IBM software alliance for JBA News of an alliance with IBM lifted shares in JBA Holdings. the Birmingham-based software group, by 26p to 395p

The two companies will work on an advanced method of leveloping business computer programmes in which software building blocks can be linked together. JBA is a specialist in the technology, known as object

The project will be based in Boeblingen, Germany. Mr Steve Carter, who will lead the project from IBM's Rochester facility in the US said: "This is one of IBM's most important development projects within the software area.

Ramsden's rides hot summer

Harry Ransden's, the fish and chip shop chain which on Monday announced closer links with Compass, the contract caterer, yesterday unveiled higher full year profits despite the

hot summer and soaring potato prices.

The shares firmed 8p to 319p after the Guiseley-based company announced its eighth successive pre-tax profits rise up 21 per cent to £1.15m in the year to October 2 on turnover ahead 16 per cent at £4.33m.

The group has expanded its chain to 16 restaurants. Year end net debt totalled £1.87m for gearing of 27 per cent (19 per

... 6 maths to Dec 31 110.8 (94.1) 0.218 (0.039) 0.31L (0.06) Select Capital Advisors

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Over \$75,000,000

of Debt and Equity Placements for 31 Client Corporations Funded During 1995

We specialize in providing emerging companies with creative financing solutions. For all types of financial services from debt and equity financing and credit facilities to private placement call our Miami headquarters at 305-536-2400.

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National Australia Bank Floating rate notes due

Notice is hereby given that the rate of interest relating to the above issue has been fixed at 5.625 per cent for the period 31 January 1996 to 31 July 1996. Interest payable on 31 July 1996 per US\$10,000 note will

Agent: Morgan Guaranty Trust Company **JPMorgan**

US\$100,000,000

NOTICE TO THE HOLDERS MEXICAN STATES LIBOR/CETES NOTES DUE 11/27/96. Applicable Cete Rate for the d of January 25, 1996 to may 22, 1996 is 37.23% granual

> **MCHEMECAL** CHRINICAL BANK, NEW YORK FISCAL/PAYING AGENT



US\$400,000,000 Floating rate notes due

in accordance with the provisions of the notes, notice is hereby given that for the interest period from 31 January 1996 to 31 July 1996 the rate of nterest on the notes will be 5,25% per armum. The interest payable on the relevant payment date, 31 July 1996, will be US\$6,635.42 per US\$250,000 note.

Agent: Morgan Guaranty Trust Company **JPMorgan**



Republic of Italy ECU1,000,000,000 Floating rate notes due

Notice is hereby given that the notes will bear interest at 4.67188% per annum from 31 January 1996 to 30 April 1996. Interest payable on 30 April 1996 will amount to ECU58.40 per ECU5,000 note note and ECU1, 167.97 per ECU100,000 note.

Agent: Morgan Guaranty Trust Company **JPMorgan**

Mass Transit Railway Corporation (A corporation established by the Mass Transit Railway Corporation Ordinance of Hong Kong)

HK\$3,000,000,000

Medium Term Note Programme HK\$160,000,000 Collared Floating Rate Notes due 1996

Notice is hereby given that the HIBOR applicable to the subject notes for the period from January 25, 1996 to April 25, 1996 is fixed at 5.75 pct p.a. The inclusive rate is 5.8125 pcz p.a.. Coupon amount payable on April 25, 1996 per HK\$500,000 note is HK\$7,245.72, with principal repayment of HK\$500,000

Morgan Guaranty Trust Company of New York Hong Kong As HK Reference Agent **JPMorgan**

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Nation is hareby given that the Rote of Interest has been fixed or 5.0.25% and first the interest poyoble on the relevant interest Payment Date February 16, 1996 against Coupan No. 45 in respect of US\$10,000 nominal of the Notes will be US\$25.00.

Slide in lead stocks continues

By Kenneth Gooding, Mining Correspondent

Y JANUARY 31 1996

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IMENT

Stocks of lead in London Metal Exchange registered warehouses, already at their lowest level for more than four years, were reported yesterday to have faller by another 3 per cent or 3,225 tonnes, to only 110,675 tonnes.

Lead's price responded by moving up by \$6 a tonne to close at \$720.50 for metal for delivery in three months. The market's tightness of supply has also driven lead - used mainly in batteries - into backwardstion, meaning buyers were having to pay a preminm for immediate delivery. The cash price closed last night at \$724.50 a tonne, up

The price started the day

slightly weaker after overnight news that a tentative deal had been reached for new labour contracts at three Asarco smelters in the US that between them account for about 7 per cent of the western world's primary lead output. The existing contracts end today.

stocks will continue to fall in the next few months, taking them to critical levels.

Mr Angus MacMillan,

the Wik people indicated that

the decision would probably be

appealed to the High Court,

Australia's highest judicial

Aboriginal claim over bauxite lease rejected

judge has rejected a claim by the Wik people for native title rights over a large tract of land in far north Queensland. The land claim covers more than 35,000 sq km, including the southern part of the valuable Weipa bauxite lease held by CRA, the Australian mining group, which last year merged organizationally with Britain's RTZ. It has been one of the most high-profile claims in the long struggle between Australia's aboriginal community and its mining industry over their respective land

the war a character of page rights. Drummond found that the granting of pastoral leases in the 19th century and mining leases at the beginning of this century had effectively extin-

Analysts suggest that lead

research manager at Billiton Metals, a Gencor subsidiary. estimates that consumption of lead, at 4.86m tonnes, outpaced supply by 125,000 tonnes last year. He predicts consumption will rise again this year, to 4.95m tonnes, and that the supply deficit will be about 85,000

had made a "promise or engagement" to preserve An Australian federal court native title indefinitely over lands to which it granted pas-toral rights. But the judge said he saw nothing in the material submitted that "gives any sup-port for a conclusion that prior to the passing of the 1855 Imperial Act, any undertaking had been given or commitment made by, or on behalf of, the Crown for the benefit of aboriginals, which could amount to a promise or engagement of the kind relied on". Justice Drummond's ruling was welcomed by Comalco, the listed CRA aluminium subsidiary that runs the Weipa min-

In his ruling, Justice Doug guished the right to native title.

The Wik people had argued that, prior of 1855, the Crown

MARKET REPORT Copper leads LME price rally

COPPER prices held above the \$2,500 level yesterday and the firmer trend filtered through to other London Metal Exchange

Traders said copper was aided by a 675-tonne fall in LME warehouse stocks, which some said might herald a series of sizeable withdrawals in coming weeks.

The cash premium over three months delivery metal moved out about \$10 to \$50, which prompted short-cover ing. But traders said prices needed to clear tough resistance around \$2,520, for three months metal, to negate a bearish technical picture.

US investment fund managers burst COFFEE's bubble after London Commodity Exchange robusts futures had moved to fresh 10-week highs. But traders believed it was only a correction to the buying which has lifted prices recently

Compiled from Reuters LIME WAREHOUSE & (As at Monday's close)

-1,780 to 848,825 -1,260 to 88,825 -675 to 253,500 -3,225 to 110,875 -378 to 40,710 -5,475 to 650,700 -35 to 11,520

Chilean flower may join pest war

Alison Maitland reports on a plant that could revolutionise crop protection

A tating pest damage to crops around the world could be revolutionised thanks to a yellow-llowered plant that grows in the footbills of the Chilean Andes.

COMMODITIES AND AGRICULTURE

The plant has been found to contain two naturally occurring insecticides that kill pests such as whiteflies and mites that are resistant to many current commercial sprays. Leading agrochemical com-

panies are now assessing whether the powerful compounds, known as naphthoquinones, can be produced commercially. The breakthrough "could be the most important crop pro-

tection discovery since the Pyrethrins", said Mr Ian Harvey, chief executive of BTG, the biotechnology transfer company that funded the research and has applied for patents on the compounds. Pyrethroid insecticides were developed in the 1960s from a relative of the chrysanthemum and account for 20 per cent of the estimated \$8hn world insec-ticide market. Derived from

The compounds in the Chilean plant kill a range of highly damaging insects including a virulent strain of the tobacco

plants, they are regarded as

safe to humans and animals,

unlike many chemically-based



Calceolaria Andina is a very selective killer

strain multiplies five times faster than others, can feed off 600 different crop and weed species and transmit at least 60 viruses

that harm plants.

Among these is the leaf curl virus which has reduced the cotton harvest in Pakistan by 30-40 per cent several times in the past five years.

The whitefly, which can devastate entire crops in extreme cases, has emerged in rampant form over the past decade. Its penchant for valuable ornamental plants, which are spread around the world.

It has severely damaged tomato, melon and vegetable

the Caribbean, the southern US and the Middle East.
"It's become probably the most serious pest of agricul-ture on a global scale," says Dr Ian Denholm, one of the scientists involved in isolating the active compounds at the UK's Institute of Arable Crops

The whitefly, along with strains of the two-spotted spider mite and the peach-potato aphid, are among over 500 insect species that have developed resistance to modern

The extraordinary feature of the compounds found in the Chilean plant is that they tareffective against the resistant

"Most plants that produce biocides kill everything, including us." says Professor John Pickett of Rothamsted. "These plants seem to be very

The plants were among 400 species collected by scientists from the University of Chile in a survey of plants' pesticide or pharmaceutical value. Known as Calceolaria andina, the plant contains up to 5 per cent of the new compounds when dried - a relatively high content, scientists say. The Rothamsted research

team is developing synthetic versions of the natural compounds in an attempt to make them even more effective and environment-friendly. Meanwhile, the Royal Botanic Gardens at Kew is investigating whether the plants could be grown as a crop for their insecticide properties, either in South America or northern Europe.

One consideration facing the agrochemical companies assessing the compounds is how best to apply them to crops to avoid building up fresh resistance in insect pests. Resistance is caused by intensive spraying, which allows those insects that sur-vive - the resistant ones - to reproduce and become domiEarly start for Lihir gold mine

Lihir Gold, whose gold mine in Papua New Guinea, is destined to become one of the biggest in the world, will spend an extra US\$8.7m to start up six months earlier than was planned when it was launched on the Australian stock exchange last October.

The budget previously was US\$673m. By the end of December, capital expenditure of the project totalled \$79.42m. The company said yesterday the mine would start processing oxide ore in July next year while the target date at flotation was January 1998. The extra cost would be offset by production of between 100,000 and 130,000 troy ounces of

Although some of the processing facilities would not be completed by July, 1997, early processing of oxide ore would allow extra training and give more time for commissioning plant. In turn, this should lead to a smoother start-up when sulphide ore

The mine is expected to produce an average of 584,000 ounces of gold annually for its first 15 years in operation from one of the world's big-gest deposits - more than 40m

'Question marks' hang over Oman-India gas pipeline

By Mark Nicholson in New

A senior Omani official admitted this week that there were "question marks" over the Gulf sultanate's proposed ing operations, which said it hoped to "resolve outstanding gas pipeline project to India, adding that work on the \$5bn issues [with the local aborigischeme would in any case not nal communities] through consultation rather than litigation. be feasible until "early in the However, legal counsel for next century

Mr Khalifa bin Mubarak al-Hinai, the Oman oil ministry's director general of gas and petroleum industries, said the sultanate could not yet make

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definite supply commitments for the pipeline. It could take a further two years of "more ded-icated exploration appraisals" before the country could be certain it had sufficient proven gas reserves to feed the pipe-

The project was not shelved, he said at a conference in New Delhi on Monday, but he added that there would have to be "more time and study to come up with a viable pipeline between the two nations." The first of two trans-Ara-

ply agreement reached en the two countries in September 1994. A twin, wide-diameter pipeline was proposed, requir-

bian Sea pipelines was due for

construction this year and for

first gas deliveries in June

1999, under an initial gas sup-

ing estimated investment of \$5bn and designed to provide India with a total of 56m standard cubic metres of gas India has been insisting on a firm commitment from Oman

posed pipeline over an economically viable period - at least 25 years.

Mr al-Hinai said Oman's "proven" reserves stood at 9,000bn standard cubic feet, with a "further increase to be announced soon". "Expectation" reserves, he said, stood at 25,000hn scf, to which he said an additional 7,000bn to 15 000bn were "widely expected" to be discovered. The sulted 7.000bn scf already to the

al Jifran in Oman to Rapar Gadwali on the Indian coast. Reaching a depth of 3.5km, it would be the world's deepest wide-diameter gas pipeline by

project. Mr al-Hinai said there also

remained unsolved technologi-

cal problems with the proposed

pipeline, which would run

dersea for 1,100km from Ras

He said, engineers had not found satisfactory means of addressing repairs to the pipeline at such a depth. No remotely-operated repair

The Omani-Indian pipeline, along with another, more politically controversial, being mooted from Iran to India and passing either by or through Pakistan, are central to India's vision of meeting its accelerating energy requirements. Mr Satish Sharma, India's minister of petroleum and natural gas, told the conference India produced 55m cu m of gas daily but claimed "registered demand" already stood at 260m

that it has the requisite country's liquefied natural gas COMMODITIES PRICES JOTTER PAD BASE METALS Precious Metals continued GRAINS AND OIL SEEDS MEAT AND LIVESTOCK AT LCE & poSet Dey's price change High Low Vot int 123.65 -0.80 124.85 124.00 305 2,365 inv 125.00 -0.65 125.85 126.00 305 3,536 inv 127.95 -0.70 129.75 129.20 30 486 / 112.75 -0.85 113.80 113.90 10 160 / 112.90 -1.10 115.00 174.90 32 1,273 / 115.75 -1.25 116.25 116.25 10 23 507 7,973 M GOLD COMEX (100 Troy oz.; \$/troy oz.) III LIVE CATTLE CME (40,000lbs; cents/lbs M WHEAT LCE (2 per tonne) LONDON METAL EXCHANGE Sett Opy's Open Price change High Low Vol. int 63.275 - 0.800 64.090 63.225 7.702 18.487 63.375 - 0.425 63.395 63.225 8.390 63.225 8.900 23.485 61.025 - 0.4376 61.590 61.000 2,684 13.930 (Prices from Amalgaments Metal Tracing) III ALUMENTUM, 99.7 PURITY (\$ per tonne 404.1 -1.7 407.3 402.8 43.627 25.052 407.0 -1.8 410.4 405.8 44.98 101,699 403.0 -1.8 412.3 407.8 3,153 29.618 415.0 +2.8 412.5 409.5 128.0 10,247 412.0 -1.9 414.8 414.8 10 4,115 908 1,142 23,759 929 1,247 17,557 950 943 9,855 970 146 34,352 980 888 11,810 911 932 953 972 981 1009 1540-42 1531.5-32.5 80.225 -0.125 80.550 80.200 1,784 8,841 81.351 -0.325 61,750 81,225 951 6,416 61.225 -0.376 61,600 61,200 404 3,159 22,241 77,861 1579/1570 219,803 PLATINUM NYMEX (50 Troy oz.; \$/troy oz.) 1249 1274 1296 1318 1350 1379 421.0 5.283 19.102 526.25 +6.75 527.50 515.00 29,654 489.75 +8.25 497.00 778.50 4,279 483.00 +10.25 454.50 442.00 8,707 453.50 +10.75 454.00 441.50 825 480.00 +9.5 641.00 449.50 741 380.00 - 380.00 380.00 22 47.190 -0.150 47.400 46.950 44.900 -0.175 45.200 44.675 50.480 - 50.900 50.150 49.300 -0.025 49.425 49.100 47.876 +0.050 47.950 47.500 43.800 +0.100 43.850 43.525 426.0 424.0 426.0 426.0 434.0 434.0 62 3,653 3 1,118 1 54 5,345 23,327 1282 1303 1324 1355 1380 1,882 24,948 149 9,435 459 9,601 88 9,278 75 6,895 7,638 92,198 3,595 1,244 263 153 99 +0.7 +0.7 +0.7 1272 1297 1317 1350 1335-40 1330-40 1370-75 Dill n Account, invoice, receipt, statement, taily. If you qualify for market and your electricity bill is over £12,000 ps, you may enjoy signific by switching to an Eastern contract. Full densits available on request. 1337 PALLADIUM NYMEX (100 Troy az.; \$/troy az.) 129.40 -0.25 151.00 129.00 450 4,879 130.80 -0.10 132.00 131.00 151 1,975 133.30 -0.10 135.25 135.25 2 30 4,718 IF COCOA (ICCO) (SDR's/tonn PORK BELLIES CHE (40,000lbs: cents/lbs) MAIZE CET (5,000 bu min; cents/56tb At the Essions for a better dead 0800 99 77 55 1,413 2,790 724-5 716.*5*-7.5 E SILVER COMEX (5,000 Troy cz.; Cents/troy cz.) 556.3 725

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Jel	238.1	+1.8	238.3	225.1	2,267	17,865	0ct	311.9	-0.4	312.9	311,1	204		LONDON SPO			VEI	3
Aug.	237.5	+3	227.5	234.5	151		Dac	304.4	+0.1	304,4	302.8	94	2,418	E CRUDE OIL FOR (De	, pens	VMer)		+01-
Sep	233.0	+3.5	233.0		53	2,500	iiby Catal	300.7	+0.4	301.0	299,8	133						
Đet	223.0	+25	223.5	223.0			Total					-	32,636	Dubal		54-5,5		+0.31
Table					42 100	222		DAD MAL	~~~ ×	110 000			-	Prent Plent (risted)	516		4 7 1	S 45

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23.88		42,189	■ No7	門田根	AM RAN	V SUG/	AR LCE	<i>(</i> cent	s/lbs)	WA	- Mar	May	- Mar	- Ma
24.22		19,416						•		-	1490		-	100
24.58		14,107		10,90		~	-	_	-	NA	-	-	-	-
24.76	149	3,983	بيطا		-0.08	-	-	-	-	N/A	-	-	-	-
24,88	194	2,038	75	11.55	-0.08	~	-	_	-	N/A	-	-	-	-
25,15	37	1,650	Total			-		-	-	BRENT CHUDE IPE	Mar	Apr	Mar	Aρ
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100 ton	er S/ton	6	Mar	376.1	-1.7	377.5	9700 6	1,766	9,439	1700	9	22	65	11
				358.1	-1.7 -22	360.0	373.0 355.5	1,700			3	10	-	
231.8		41,912	May Ang	339.1	-12		337.0							
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225.1		17,865	Dac	304.4	+0.1	304.4	302.8	94						
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2251.0			Total	300.7	74.4	30130	250,0		32,636	Dubel		54-5.50		
223.0							_	-	-	Brent Blend (deted)		158-A		H0.31 H0.45
•	15,905	20,733	= SLG	AR 111		112,000	ADE; 00	M3/10	<u> </u>	Brent Blend (Mar)		1.38-6.4		HUAS HO.37
		_	Mar	12.36	-0.12	1238	T2.07	16.338	62,798	· M'LT Draw Draw (wsp.)		53-7 <i>5</i> 8		0.385
			May	11.44	-0.12	11.45			34,702				-	
173.0	89	928	34	10,45	-0.01	10.45			21,391	M OIL PRODUCTS NW	bloom	t delive	ry CEF	lonn
1130		~~	Dat	10.16	+0.01	10.17	10.05		21.594	Premium Gascine				
		-	Mar	9,93	-0.02	9.94	9.85		12.627	Gas Oil		67-166		+1
_	_	_	Hay	9.79	-0.02	9.80	9.80	148				60-162		+0.5
_	. 30	986	Total	_				10,143	155,782	Heavy Fuel Of Naphthe		93-95		
10/Inde	x point)		E COT	TON NY	CE (50.	2000bs;	cents/1	ba)		Jet fuel		68-169 79-181		
			ibr	177 MA	~0.97	87.90	NR 16	A BOS	21.538	Ofessel.	\$1	65-167		
1520	199	791	Hay	87.30	-0.95	87.00			14.569	Petrolum Argus, Tel. Londo	a (D17)) 369 e	792	
1290	52 17	419		88.83	-0.76	87.50			8.592	■ OTHER				
1400		456	0et	80.00	-0.95	80.40	79.95	194	1,933					
1401	113	7,383	Dec	77.70	-0.68	78.25	77.20			Gold (per troy oz)\$	3	405.20	_	1.00
1225	- 2	1,194	=		-0.60	79.00	79 fm	100	12,173	Silver (per troy oz)	5	55.5c		+2.0

III ORANGE JUICE NYCE (15,000/bs; cents/bs)

				200			
1918 1020		119.20	+0.70	120.00	117.70	2,222	14,762
	Mary				118,10		4,216
	74	120.95	+0.45	121,00	120.00	54	1,379
ZS DATA	Sap	121.40	-0.35	123.00	120.00	32	1,141
res data supplied by CMS.	Nov	117.50	-1.25	178,80	117.50	. 7	593
	Jag	117.55	-1.05	119.70	117.50	11	1,327
	Total					2,247	21,581
r metale went tree market, from Metal Bulletin, 5 of a warehouse, Unless otherwise stated week's in brackets, where changed, Ambi- 198,8%, 5 per rome, 2,275-2,400 (3,375-), Bismutte min, 99,99%, torne loss 3,85-	Oper	LIME DAT Interest Pacts trac E, CME as	and led on	COM	EX, NY	MEX,	CBT,

l	
Minor metale Europeen tree mertest, from Metal Bulletin, 5 per ib in warehouse, unless otherwise stated (last week's in brackets, where changed). Anti- monys 99.0%, 5 per tomos, 2275-2,400 (8,275- 3,440). Riberautit min. 99.95%, torne lots 3.85- 4.15 (8,90-4.20). Cadmiusts min. 99.95%.	VOLUME DATA Open interest and Volume data at contracts tracted on COMEX, NYME NYCE, CME and CSCE are one day in
180-195 cents a pound. Cobalts MS free mar- last. 99,8%, 31,50-32,50 (32,00-33,30); 99,3%, 28,00-28,50 (28,20-28,75). Marcany: min. 99,99%, 3 per 76 ib fask, 150-170. Molybde-	INDICES REUTERS (Base: 18/9/31=100)
tuent drammed molybolic codde, 4.20-4.40 (4.30-4.45). Selentum: min 98.5%, 3.75-4.45 (3.80-4.50). Tungsten are: standard min, 65%,	Jen 30 Jen 29 month age 2179.5 2161.7 2090.4 CRB Futures (Sase; 1967=100)
\$ per tonne unit (folig) WO, cif. 50-58. Veste- dium: min. 98%, cif. 2.85-3.00. Uraniform: Numero exchange value, 10.00.	Jan 29 Jan 25 month ago 244.65 242.21 2 GSCI Spot (Base 1970=100)
	Jan 29 Jan 26 month ago 190.68 187,45 203.50

LONDON TRA	DEI			NS
E ALLIMINEM (98.7%) LME 1500	Feb	Apr 106	Feb	Apr 17
1700	8	48 15	37 129	56 124
(Grade A) LME 2400 2500	Feb - 75	Apr 163 100	Feb 7	Apr 33 68
E COFFEE LCE	17 Mer	56 May	49 Mar	123 May
N/A	- Mar	- May	- Mar	- - May
NA	:	:	:	:
# BRENT CRUDE IPE 1650	Mar 27 9 3	Apr 37 22 10	Mar 34 65	Apr 77 112
LONDON SPO		/ARI		S +
Dubel Brent Blend (deted) Brent Blend (Mar) W.T.L M. OE. PRODUCTS NWE	\$15. \$16 \$16 \$17.	54-5,56 1,58-6,6 1,38-6, <i>4</i> 53-7,56	10 4 10 4 14 18	0.31 0.45 0.37 0.365 (tonne)
Premium Genotine Gas Oil Heavy Fuel Of Naphsha, Jet fuel Olesel Astrolaum Argus, Tal. Londo SI OTHER	\$1 \$1 \$1 \$1	67-169 60-162 93-95 168-169 79-181 65-167 1) 369 8		+1
Gold (per troy cz) Silver (per troy cz) Platinum (per troy cz.) Palladium (per troy cz.)	5 5	405.20 155.50 420.25 128.25	+	1.00 /2.0 6.00 1.75
Copper' Lead (US prod.) Th (Kusta Lumpur) Tin (New York)	4	19.0c 1.75c 5,80m 91.5c		0.04 3.0
Cattle (live weight)† Sheep (live weight)† Pigs (live weight)†	13 11	21.76p 22.38p 10.49p	+4	1.77 1.68 1.24
Lon. day sugar (raw) Lon. day sugar (wa) Barley (Eng. teed) Matza (US No.3 Yallow)	1.	335.1 368.7 21.5u 50.5z		-8.8 -4.7
Wheet (US Dark North) Rubber (Mar) Rubber (Apr) Rubber (Apr) Rubber (KL RSS Not)	10 10	Unq 23.50p 23.50p 97,0m		0.50 0,50
Coconut Oil (Phill)§ Pelm Oil (Melay.)§ Copra (Phill)§ Soyabeene (US) Cotton Outlook'A' Index.	\$7 \$3 4	727.5y 510.0y 154.0 110.0 57.65	_	12.5 12.5 14.0
Wookops (84s Super)		150p		

ACROSS led astray from the water? (6) 4 Slough produces gold in bulk

8 Terribly nice day for poison. 9 Wise about country food (7) 11 Is art revolutionised after the

20 Outlaw meeting king at edge of river (4) 21 Old man given a wide berth at sea (5-5) 28 Poison from port in a storm

24 lt's many years since pine's been given a try (4,3) 25 Don't accept rubbish (6) 26 Home for lordly leader in

1 Chump getting past in chasm

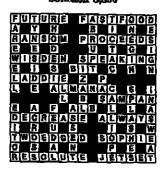
about English (7) 3 Druid involved with blood in

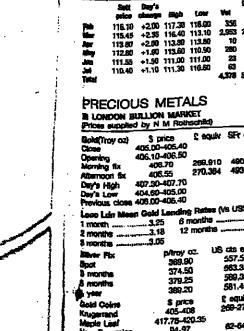
don? (7) 7 Spectacles always provided for a tourist? (9) 10 In Greek he is irreligious (9) Wise about country food (7)

Is art revolutionised after the queen leaves a spider plant?

13 Bill carries letter in Greece – he's a poor writer (9)
15 Real bacon cooked in Spain 13 Å spud not a kinkajou (5)
14 Make brave old men be worried (8)
15 Expert witness starts off with audacity (8)
16 Two-way advert (5)
20 Outlaw meeting brace. (10) (9)
12 A short letter, a letter short 17 Mimic has to leave the Solution 8,890

5 Part of Oklahoma half of which is in Nebraska (5) 6 Magazine for one side of Lon-





den 111.55 ⊯i 110.40	+1.10 111.30 110.50 63 2.993	
	4,378 50,274	
	on secret C	
PRECIO	US METALS	
LONDON E	UTLION MARKET	
rices supplie	d by N M Rothschild)	
lolo(Troy oz)	Viupe 752 viupe 2 earn 2	
Same .	406.00-405.40	
	406.10-406.50 406.70 269.910 490.584	
loming fix	406.70 268.910 490.684 406.55 270,384 493,348	
itamoon fix Wy's High	407.30-407.70	
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oao Lein Mee	of Gold Lending Rates (/s USS)	
morth	3.25 D (1920) 10 20	
morths	3.18 12 1100000 (50000000)	
moraba	p/troy oz. US ats equiv.	
Nor Fix	800 GN 337.3V	i
pol 	374.50 563.35	4

W COPPER, grade A (\$ per tonne)

LIME Clocking E/S rate: 1.5040 Spot: 1.5043 3 mms: 1.5014 9 mins: 1.4989

MIGH GRADE COPPER (COMEX)

TAN (5 per tonne)

Close Previous High/low AM Official

Close Previous

8115-25 8225-30 8330-40							
40,749	ĖNI	ERGY	,				
8,670		UDE OF		X (42,0	200 US	galle. \$	/barrel)
6145-55 6190-200	- —		Day's				Open
6170-80 6220-25		price	وعنيك) Algeb	1.00	Yes	
6155 6220-6180	Mar	17.62					84,475
B155-60 6200-205	Apx	17.28					52,386
8210-20	Hay	17,18					37,266
15,330	مال نوز	17,08 18,98					35,160 31,019
5,370	Apg	16.93					17,380
grade (5 per tonne)	– Tetal	1420					\$87,366
1027-8 1045-6	≡ CR	UDE O	LIPE (S	/barrel)			
1014-15 1034-35 1053/1035	_		Dar/s				Open
1025-25.5 1043-44			chatte		Low	Vol	ist.
1025-25.5	Mar	18.45	-				65.945
74,933	Acre	16.09		16.11			35,815
19,806	May	15.88	+0.08	75.81	15.73	1,674	19,079
(\$ per tonne)	järy Jan – Jai	15.89		15.83			17,718
2550-53 2502-8	,161 Jane		+0.08 +0.05	15.73 15.66		· 2,373	8,806 4,528
2504-6 2468-67	AME Total	(3,69	-4,00	(2-40	(design		مهرب 17 8,198
2512/2475 2547-48 2498-99		ATING C	MEL NYME	X (42,0)	100 US ga		
2507-8			Day's				Open
173,079		price	change.	High	Leve	Vol	let.
73,6098	Feb	-	+0.67	-		14,118	
/\$ rate: 1.5051	Mar	51.05	+0.01	51,15	50.00	18,196	34,809
ate: 1.5040	_ Apr	48.85		48.90			75,142
4 9 miths: 1,4989 9 mille: 1,4957	May Jan	47.05	+0.36	47.15 46.50			8,956 10,976
	.jen Jel	46.45 46.50	+0.31 +0.33				
PER (COMEX)	- Total	-000	T-1-1				112,250
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117.30 116.00 356 2150			change		Low	Yol	
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113.80 113.80 10 1,052 113.60 110.90 280 7,010	Mar	151.58	+1.75	152 00	150,75	4.743	19,047
111.00 111.00 23 710	Apr May	148.00			147,00	1,149	9,768
11130 11050 63 2,983	lby	146.00		146.50 146.00		480 344	4,780 5,991
4,378 50,274	ابوار آهار	145.75	+2.00			146	4.687
	Jelo Telot	1-4.73	-200				74,276
IETALS		TURAL 6	LAS M	EX NO.	000 pm	-	-
MARKET				,			Open
M Rothschild)	-	Latest	CHARGE	State:	LOW	The	ist
CEs amili	•		+0.163	2.583		18,882	
nice <u>(</u> equiv set experi 405.40	Mes Apr		+0.068	2.130	2.045		16,153
406.50	Hay		+0.044	2,000	1.960	2,679	14,988
70 269.910 490.584	Jesi	1.910	+0.028	1,915	1.890	623	11,056
55 270,384 493,346	44	1.875	+0.019	1.880	1.850	424	8,367
407.70	Aug	1.865	+0.016	1.865	1.250	617 27,181 1	8,AZI
405, <i>0</i> 0 405,40	Tetal			-			
Deter Als (198)		EADED	CASO		olie i		
. ^Hbs		EX (42,000	_	-, eus			
12 months2.36	i	Laber					Ober
, <u> </u>		•	cheage			Vel	試
p/troy oz. US cas equiv.	Reb	8125	+0.79		52.00		10,697
389.90 557.50		12.45	+0.52	52.60		10,715	
374 SQ 203.33	Ąpr	54.50		54.70 54.50	54.05 53.90	1,966	13,793 7,498
379.25 589.35	Hay	54.30 53.95	+0.40 +0.55	54.05	53.70	979	4,473
389.20 581.45	Jan Jai	53.20		58.25	53,10		3.519
\$ price £ equiv.	Tetal	فيسيد			•	27,437	65,714

Moody's puts a

Losses reversed on interest rate optimism

By Martin Brice in London and Lisa Bransten in New York

Interest rate cuts, both real and anticipated and on both sides of the Atlantic, restored some poise to government bonds yesterday after the recent sell-off.

Italian bonds were the star performers in Europe, helped by hopes of a political settlement, and the Swedish central bank surprised the markets with an interest rate cut.

■ In the US, weak retail sales figures, dejected consumers and hopes that the Federal Reserve might lower interest rates today also helped Treasuries reverse Monday's losses. Near midday, the benchmark

at 111# to yield 6.030 per cent. while at the short end of the maturity spectrum the twoyear note was up 1/4 at 9921, yielding 5.000 per cent.

30-year Treasury was % higher

Treasury prices jumped in morning trading after the Commerce Department reported retail sales up 0.3 per cent in December, making 1995 the of their holdings. Also, the

worst year for retailers since 1991. Analysts had expected an increase closer to 0.6 per cent. Another sign that the economy was slowing came from the Conference Board, which said its index of consumer confidence dropped 12 points to 87 in January, its lowest level in

more than 18 months. Mr Edgar Fiedler, economic counsellor at the Conference Board, said bad weather, the

GOVERNMENT **BONDS**

government shut down and a recent wave of lay-off announcements contributed to consumer pessimism.

"It remains to be seen, however, if these factors resulted in a temporary drop in confi-dence that will rebound, or if the decline is a signal from consumers that slower growth is on the horizon," he said. The market took the latter interpretation, which is good news for investors worried that inflation could erode the value

signs of sluggish growth could spur the Fed to lower interest rates today at the conclusion of the two-day Open Market Com-

German government bonds were lifted by hopes of a cut in the repo rate today, with money market rates suggesting a reduction of up to 13 basis points. The yield on two-year paper fell by 7 basis points and that on 10-year paper by 4 points, with the spread etween the two maturities

increasing to 223 points. On Liffe, the March 10-year bund future closed at 100.50, up 0.44. The yield spread of 10year bunds over US Treasuries widened from 14 to 17 basis

■ French government bonds were lifted by bund strength and hopes of an interest rate cut that were highlighted by a 1 per cent reduction in the Livret A, a retail saving rate. Yields on longer-dated bonds fell by 5 basis points, while the short end saw yields fall by 15 hasis points to 4.4 per cent and

10-yr bond yield spread of a solution to the domestic political problem, despite a lack of firm news. The yield spread over 10-year bunds tightened by 13 basis points to 440 points.

> ■ UK government bonds rose on the back of bunds as investors focused on today's auction of £3bn of the 8 per cent gilt due 2000. Mr Simon Briscoe, economist at Nikko, said he expected cover to be between 11/4 and 2 times, with a tail of 2 or 3 basis points.

On Liffe the March long gilt future closed at 110%, up 1 while the spread over 10-year bunds was static at 169 basis

year future settled at 122.80, up ■ The Riksbank, the Swedish central bank, surprised traders year bunds tightened in 4 basis points to 49. with a 21 basis point cut in the repo rate to 8.45 per cent and Mr Iain Lindsay, senior bond yields fell along the curve. analyst at Crédit Lyonnais in Traders said market rates suggested further cuts of might cut interest rates this between 20 and 25 basis points within a month. The yield read over Germany on Swedish 10-year bonds tightened by 3 basis points to 248 points.

■ Italian government bonds outperformed bunds on hopes

January 1996

March Pibor rose by 0.20 to 95.43. On Matif the March 10-

0.46, while the spread over 10-

Paris, said the Bank of France

week, possibly on Thursday.

24 -

21 -

2.0 <u>—</u> 18

Source: FT Extel

Portuguese derivative contract well received

By Peter Wise in Lisbon and Antonia Sharpe in London

Bankers Trust, which on Monday launched the first derivative contract on a Portuguese stock market index, is planning a second offering soon because of the strong investor response.

On Monday, Bankers Trust issued 1m dollar-denominated warrants based on the Portuguese Stock Index-20, which is made up of the 20 leading shares listed in Lisbon. The index was created last year as the basis for futures and options contracts on Portugal's still-unopened derivatives exchange.

The warrants, which entitle investors to any gain in the PSI-20 over the next 18 months, tapped the demand which has been building up ahead of the opening of the Oporto-based exchange.

With other banks believed to be working on similar offerings, the pressure is on the authorities to open Oporto so that business is not lost to London. The opening has been postponed several times over the past year because of technical problems and is now scheduled for April.

Mr Antonio Beck, a managing director at Bankers Trust in London, said the Luxem-bourg-listed warrants were sold mainly to Swiss and German institutions which believe Portugal will outperform this year after a disappointing

The exercise price of the warrants, which give the holders the right to buy one call option on the PSI-20 at a predetermined price, was fixed at Es4,259 (\$27.54), the level of the PSI-20 on Monday. Yesterday the index was trading at 4,262, resulting in a small rise in the value of each warrant from \$3.73 to \$3.78.

ceiling on Gulf sovereign ratings; For the cash-strapped Gulf

By Roula Khalaf

states, financial information is a closely guarded secret and sovereign ratings have for long been considered as interference in a country's internal affairs. So it is with some anxiety that the governments will greet the ratings assigned to them yesterday by Moody's. The US rating agency awarded Kuwait, Oman and Saudi Arabia investment grade rat-ings while Bahrain and Qatar were considered below investment grade. Kuwait won the highest rating and even Oman came before Saudi Arabia. Kuwait received a Baal rating compared with Oman's Baa2 and Saudi Arabia's Baa3.

The ratings are believed to unsolicited, although Moody's was provided with some government information. "The Gulf states are generally upset because the ratings were done without full access to information when the amount of information avail-

able about the Gulf is limited," sald one Gulf banker yesterday. Moody's, however, said its ratings were always supported by adequate information. The move is the result of increased competition among agencies to provide clients

with ratings of banks in the Middle East. This exercise, however, first requires the establishment of an indicative rating for the country. Technically, Moody's has assigned sovereign ceilings to

financial instruments of institutions based in the countries. But agency officials said the rating would be the same for the debt of the country.

While Kuwait's rating is based on the country's strong current account position, which Moody's said mitigates the impact of persistent fiscal deficits, the agency considered

that further moves to fonstrain public expenditure in Saudi Arabia will be limited by the difficulty of imposing a measure of austerity on a population long accustomed to a generous social safety net...

In the case of Bahrain, Moody's said concern over stability may impede progress on essential fiscal reforms. It said Qatar's gas reserves, the third largest in the world. offer great potential for long-term foreign exchange inflows but projects in the gas sector may further reduce the country's foreign assets and raise its foreign currency-denominated debt.

Until last year, rating banks in the Middle East had been the exclusive domain of Capital Intelligence, a small Cyprus-based company.

Moody's has been seeking to expand its bank rating business and last year set up an office in Cyprus to focus on this, including in the Middle East. At the same time, London-based IBCA entered into a joint venture with the International Finance Corporation and the Arab Monetary Fund to invest in local ratings agencies in Tunisia, Egypt, Jordan and Lebanon to provide ratings for corporates and banks. Faced with the onslaught of

agencies, countries in the region have tried to play them against each other. For example, according to bankers, when Moody's first approached Kuwait, it balked at the idea of a rating. It agreed to provide Moody's with some information, but invited IBCA and opened its books more generously. IBCA's A rating, released in December, was the first for a Gulf state and was two grades above Moody's. Given that Kuwait had asked for the rating and was paying for it, the rating could have been shelved had the government not liked the outcome.

Dealers kept busy by three jumbo offerings

By Conner Middelmann

Three jumbo offerings kept primary eurobond dealers busy

After a week of pre-marketing, DePfa, Germany's largest public sector lender, saw good international demand for its

INTERNATIONAL **BONDS**

seven-year Pfandbriefe - bonds backed by loans to the public sector. Almost too good, according to Mr Frank Rühland, DePfa treasurer, who was disappointed that only 10 to 15 per cent of the deal went to German investors. Some 35 per

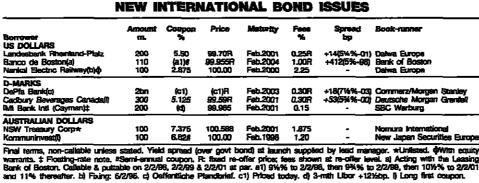
accounts, 30 per cent stayed in Europe and 25 per cent went to Asia, he said.

However, "while the domes tic market remains very important for us, the main objective of this issue was to get some international momentum going, and we are happy that has been achieved to such a high degree," he said.

The bonds will be priced today at a spread of 18 basis points over German government debt. Commerzbank and Morgan Stanley are joint bookrunners, with UBS joint lead.

the US institutional market

Mexico saw strong demand for its first straight dollar bonds in two years and achieved its aim of reopening



with about 60 per cent of the deal placed with US investors. After successful, retail-targeted offerings in the D-Mark and yen sectors over the past year, "this issue completes the rehabilitation of Mexico in the international capital markets." said an official at one of the joint book-runners, J.P. Mor-

W BUND FUTURES OFTIONS (LIFFE) DM250,000 points of 100%

0.96

+1.43 +1.42

M NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE) Lira 200m 100ths of 100%

110.63 111.95 110.50 111.49

III NOTIONAL SPANISH BOND FUTURES (MEFF)

E ECU BOND RUTURES (MATE) ECU100,000

NOTIONAL UK GELT FUTURES (LIFTE)* \$50,000 32nds of 100% Sett price Change

ELONG GILT FUTURES OPTIONS (LIFFE) 250,000 64ths of 100%

Sett price Change

E US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%

120-10 119-28 119-10

Changa +0-13 +0-13 +0-12

1.15 0.93 0.73

112,08 111,50

High 96,92 95,75

High

High 120–15 120–01 119–12

ITALIAN GOVT. SOND (BTP) FUTURES OPTIONS (LIFFE) Lin200m 100ths of 100%

gan and Merrill Lynch.

italy

Although it was oversubscribed, Mexico did not increase the issue, which was to 435 points by the close.

year bonds - its first D-Mark

95.50 95.75

Low

LOW

Low 119-28 119-13 119-05 104,719 2

were priced at 27 basis points already larger than the over Bobls and remained stable planned \$750m. The bonds throughout the day. were priced at 445 basis points over Treasuries and narrowed The EBRD's DMlbn of five-

Cadbury Beverages Canada issued DM300m of retail-targeted five-year bonds yielding 53 basis points over bunds. The proceeds partly refinance bank loans arranged last year.

Asia, where at least half the

deal was placed. The bonds

cent w	ras pla	ced w	ith U	S after	last	year's	peso	crisis.
WOD	D BON	io poi	OF6					
WURI	n BAV	IV PRI	GES					
BENC	MARK	GOVE	RNM	ENT BO	NDS			
			Red		Day's		Week	Month
		Caupan	Date	Price	change	Yield	29 0	ago
Australia		10.000	02/06	112,3800	-0.445	8.17	8.19	8.41
Austria.		6.500	11/05	102,1800	+0.110	6.19	6.16	6.44
Belglum		6.500	03/05	100,9500	+0.250	6.36	6.32	6.72
Canada *		8.750	12/05	111,7100	+0.390	7.07	7.12	7.35
Denmark		8,000	03/06	106.5400	+0.520	7.07	8.99	7.30
France	BTAN	7.000	10/00	106.5000	+0.500	5.39	5.40	5.91
	QAT	7.250	03/06	106.3400	+0.490	6.38	6.34	6.68
Germany 6	Burnd .	6.000	01/06	100.8600	+0.460	5.88	5.83	6.10
keland -		8.000	08/06	104.6500	+0.100	7.34	7.29	7,47
Italy		10,500	09/05	102,8800	+0.910	10.02†	10.06	10.88
Jepan	No 129	6.400	03/00	117.6460	-0.260	1.80	1.74	1.35
	No 174	4.600	09/04	111.1480	-0.310	2.98	2.96	2.85
Netherland	ė.	6.000	01/06	100.7400	+0.380	5.90	5.83	6.13
Portugal		11.875	02/05	114.3000	+0.950	9.45	9.25	9.95
Spain		10.150	01/08	102,5600	+0.180	9.53	9.39	9.90
Sweden		6.000	02/05	85.4640	+0.500	8.36	8.22	8.60
UK Galts		8.000	12/00	105-01	+5/32	6.78	5.69	6.80
		8.500	12/05	107-11	+9/32	7.43	7.34	7.45
		9.000	10/08	111-10	+12/32	7.59	7.51	7.61
US Treasu	ry "	5.875	11/05	101-28	+11/32	5.62	5.63	5.80
	-	6.875	08/25	111-16	+16/32	6.04	6.07	6.15
ECU (Fren	ch Govt)	7.500	04/05	104,5600	+0.380	6.81	6.71	6.98
London clas	ing, New Yor	ris raid-day				Yields: Lo	cal merlu	el standard
			12.5 per	cent payable i	by norme			
	JK en Jünek			,	,		e. Mass	nemilae
US INT	EREST	RATE	S					
Latest				Treasury	Sitts and	Bond Yiel	ds	_
		Os	е попіт			#0 TOU		_ 5.05
Priore cale	··· ·· ···	81 ₂ Tv	io month .		5.27 T	bree year		5.16
Broker load R		74 Th	rea manth.			he year		5.34
Fed.funds Fed fands al.		54 St	, 보면데 -			0-year 0-year		5.66 6.06
Of Make of	erendir .		Jess		3.01	n-Jem		0.00

BOND FUTURES AND OPTIONS

	Open	Sett price	Change	High	Low	Est. vol	Open m
Akær	122.30	122 60	+0.46	122.90	122.28	172,353	137,699
Jun	122 26	123.30	+0.44	123.34	122.76	2,486	13.792
Sep	121 56	122.10	+0 44	122.18	121.56	317	2,186
III LONG	TERM PRE	NCH SOND	OPTIONS	(MATTE)			
Strike		CAL	LS			PUTS	
Prce	Ma	r Ju	n \$	ep	Mar	Jun	Sep
120	-				0.12	0.57	
121	2.0	2 .		-	0.21	0.84	-
122	1.3	8 -			0.44	1,14	-
123	0.7	3 1.8	1 1.	.67	0.84	1 47	-
124	03	1.2	7 1	26	-	201	-
Est Abyl 20	tal, Calls 18.2:	12 Pub 1,56	4 . Provious	day's open	int, Collist	62,516 Puts	162.037
Germa							
	_	AN EUROS 6					••
M NOIK	MAL GERM						
	Open	Sett price	Change	High	Low	Est. voi	Open in
Mar	99.98	100.48	+0.42	100.59	99.97	200962	240068

Germa M NOTIO	-	AN BUI	ND FL	TURE) (LIF	FE) D	M250.	000 100ths of 1	30%		=		MAL I			JAPANESE C	30VT. 8	OND F	UTUR	es			
	Open	Sett p	nce	Change	3	Hah	L	.ow Est. vol	Oper	n int.			0	pen	Clo	se Change	High	h	Low	Est.	vol I	Ореп	int.
Mar	99.98	100.4	IR.	+0.42		00.59	96	.97 200962	.340	068	Ma	r r	11	9.87			119,9	1 1	19.78	283	15	a	
Jun	99.53	99.7		+0.42		99.74		1.50 1075		536	Jur	1	17	8.34			118.4	2 1	1B.30	86	5	0	
											· 14	FFE Auto	ures els	والمرامة فا	d on A	PT. All Open Inte	rest figs.	are for p	pryvkaus	s ctay.			
		_									_	_											
UKG	ILTS P	HCE	5																				
																-						_	_
	Notes	Ye	ed	Price C «			100 LOW		Mothes	int '	YREICI Reeci	Price £		_ 52 w High	ook _		Mades		ad	40		. 52 we	
				riege t		- Taylor			44465		Nega	HIGH L					2005	(1)	ЩП	ics€ +	<u>-</u>	High:	CW.
	es cap to Fixe Y							Treas 8 1 ₂ pc 2005:		792	7 43	107%	*4	108()	97%		(4)						
15 مها 15 مويا 13 Exes		14 91 12:09	602 607	102,3	7	109 ¹ g 10673	102, <u>1</u>	71 ₂ pc 2006##		7 48	7 44	100,	٠,١	10133	9433	200 '96 45gc '98##	67 Sk rr35.6	121	213 245	215数	なななからなるまま	1133	2035a 1977a
Conversion 1	0oc 1996	9 70	593	103.	76	10412	1032	74pc 2006;;		7.61	1.19	1015	*4	10314	924	21200 101		282	332	1132 1795	33	100	1868
Tress 1314pc	1997##	12.40	5 91	106%		10913	106.3	Box 2002-644_		7.78	7.59	102%	+3.	164]	934	2120c '03	(78.8)	3.02	3.41	175 %	-3 1	767	
Exch 101 and	1997	10 04	5.92	104		1053	104 🔓	Treas 11 Apr. 2003		9 48	7.29	12312	٠.		1134	4 gpc 194# 20c 106	_(135.6) 899.5	304	3.39 3.44	118/ ₄	* 1	1613	10613
Toron Alberta	c 1997# 1997#	6 91 8 42	6.07	103 125 10312	_	10112 1043	97小 100公			7.92	7.53		+4	10833	9755	21200 709		3.29	350	1662	I	674	1686 1524 1575
Exen 15pc 19	97	1311	6.14	1145		1172	114 2	1J ¹ 2Pt 2904-8		9.65	7.37	137	-	138)}	25.,		(74.6)	3.32	3.53	1724	+ 1	73/	157 5
94pc 1996		9.16	6.18	10613			102 %	Tress 9pc 2008 ##		8 09	7.59	3117	+∴	11212	101 %	21 ₂ 96 13 21 ₂ 96 16	(89.2) (81.6)	138 143	356 361	141 1 1504	₩.	143	1201
Tions ? Loc	19981:	7.11	6.23	102	+44	10	9611	Treas 6pc 2009		7.78	7.64	1023	+≥	10412	34,	21200 20	BI OY	143	363			1524 148	13784 13184
ireas 64pc frees 151 ₂ pc	995-9814	674	6.64	1003		100点	94%									2120C '24#	_ (97.7)	3.48	3.61	14441 1202	+ 7 1	1222	108½
	±20	12,71 10 53	6 39 6.45	121 3 114	75	124% 114%	10974									4½pc 30# —	. f136.1)	3.49	3.63	119	+4 1	201	106%
Treas 91 pc	799±	8.60	6.46	108		105	102(5									Prospective na							
Treas File Ra	te 1999	-		100/3	- 10	10033	993									10% end (2) 5							
Exch 12 apr		10.57	8.54	11512		11643	111,6	Over Fitness Years Trees 6 1/4ac 2010		7 18	772	_		-		indexing (ie 8 fi reflect rebasting	nomens p		isve) a	ng Maye	Doen /		ad to
Trees Spc 19	1999	9.42 & 11	6.55 6.58	111 <u>13</u> 983		112,	105 4 90 4			8.09	-	87 111 L		88,	79,3	france 2 DAE D	PI for Mu	RU 1395	149.7	and for	Dame	mbar 1	995
Conversion 1	04pc 1999_	917	6.67	1116	ولب د	99課	105	Conv 9pe Ln 2011 : Treas 8pc 2012##		8.08		1115d		11213	10133	150 7		· · · · · ·					
Com/ 9pc 200		A.33	6.71	108	- 14 - 1.	10833	10013					•		113,2	702								
Treas 13pc 2		1053	6.75	1239		12413	117	Treas 51 ₂₀ c 2008-		6 74	747	Bi	***	824	724								
14pc 1996	4	1205	633	116,4	+4	1175	1143	Treat Spc 2013		7.82	7.75	02	***	1031	93	Other Fix	ced ir	rtere	st				
								7 kpc 2012-15#		7,77	7.6	394	بإوث	10133	92								
								Epc 2015		7 82	776	102%	-19	104	93)5			_ Yi			_	52 es	ank_
								Tress & 3pc 2017‡		7.98	7.81	1095	يتد	1117	100]		Hotes	int	Red	Price 2 + 0	R- 1	High	Low
First to Filter	m Years							Each 12pc 2013-1	7	261	7.85	129}}	+13	141 <u>13</u>	127 7	Assen Dev 104ccs	7270	8.64	7.54	11019	. 1	120	10012
	00#	762	6.75	10433	43.	105%	96.3									Bham (1 200 201		906	8.45	11835 127	其	120 1 126 1	108¦3 1161 ₂
10pc 2001		8.85	633	113	***	114	10463									Ireland Cap 81 ₂ 00	٦٥	8.04		105 4		106	97
	1	6.58	6.83	100%	• 7	1013	90]]									90c Gap 1995		8.65	-				100%
9 tpc 2003		8.58	7.10	1135		1145	10333									13pc 197-2 Hydro Quebec 15p		11.72 9.97		110% . 150½	ાં¦	113	107
Bpc 2003; 10ac 2003		7.55 8.82	7.16 7.22	1045 ₀ 11533		1052	84.2	(Indicipal Connects down								Lands 135-pt 200		10.00	-			381	13831 1261
	2001-4	9.67	703	118%		11772 11912	1057 11031	Coracts 4pc		8.04	-	49(30)	پ-	5018	454	Liverpool 3½pc. in		8.59	-	40%	'∓દ્વ¹	41	33
	C 1998-4	4 22	6.11	321	-7	834)	7012	Chair		7.84	-	44(1	+4	45,	40/3			6.57	<u>-</u> -	35	-	_ 35	77
Comercian 9		6.39	7 40	1134		114%	103.7	THE PARTY OF THE		5.E7	-	5133	-/-	E. 4	57,,	Manchester 11 20 Met. Wir. Spc 'B'	C 200/_	9.29 4.00	1.85 7.52	723Å	13, 1	24 ¹ 2 1	11312
Treas 6 leps.		7.05	7 38	35()	+45	96,7	66,4	71039 30c '66 Aft	- -	7 88	-	38,	_	38.	3414	4 wide Anglia 3%	c 2021	0.03		140%			13012
Copy 9 1 - pc	2002	6.38	7.40	1137		1141	100	Consols 21 ₂ pc		7.78	-	224	*4	3237	287,	4 Lape IL 2024 _		-		135	24 1	40'-	12512
Trace 127 ₂ pc		9.82	7.36	130		131%	11933	Tresa. 21 ₃ pc		787	-	31 %	ηŁ	37,}		tild Mex. States 16 ¹ 2		13.31	-	124	-1 1	1381	11312
● Tapisto	Tour stock. \$1 for free to non-residents on application. E Auction basis, sof Ex dividend. Closing divid-prices are shown in pounds per £100 nominal of stock.																						

US

issue	- S	aw st	ong de	mand in		ans arranged			from \$3	.73 to \$3.7	78.		de	ficits, tl	ne age	ncy con	sidered	men	t not l	ked th	e outc	omę.
),000 p	oints o	i 100%				T-ACTUARI	ES FIXE	D INTE	REST II	IDICES												
	Maz	Apr	PUTS -	Jun		rice Indices K Güts	Tu: Jan					acij. 1 <u>ci</u>	•	— Low Jan 30	Jan 29	ylekt — Yr. ago	- Medium Jan 30	compor Jan 29	yield Yr. ago	Hāgh Jan 30	coupon Jan 29	yleid Yr∴ago
3 (0.40 0.59 0.86 int. C	1.00 1.28 1.61 sks 2300	1.22 1.51 1.82 17 Puts 18	1,42 1,59 1,99 8834	1 2 3 4 5	Up to 5 years (2 5-15 years (21) Over 15 years (8 tredeemables (67) All stocks (57)	151. 3) 167.	40 +0.1 24 +0.2 33 +0.6	16 151. 23 166. 06 192.	16 2.8 37 2.6 22 2.4	6 4	3.00 1: 1.02 2	yrs 5 yrs 0 yrs red.†	6.85 7.67 7.78 7.87	6.87 7.69 7.80 7.87	8.55 8.46 8.43 8.50	6.89 7.70 7.80	6.91 7.73 7.82	8.56 8.58 8.56	6.96 7.79 7.86	6.98 7.81 7.87	8 74 8.60 8.72
FUTUR	RES				<u></u>	dex-linked										ion 5% — n 29 Yr.		Jan	- inflatio 30 Jan	10% 29 Yr. i		
High 112,08 111,50 PTION:	11 11	Low 0.63 0.50	Est. voi 59776 64 00m 100t	Open Int. 63432 2829 hs of 100%	A	Up to 5 years (1) Over 5 years (1) All stocks (12) wrage gross redempt) 189, 189,	8 +0.0 15 +0.0	06 189.2 06 189.3	26 1.24 13 1.26	; (3.00 3.00	Up to 5 y Ower 5 yr 10%%; Hig	s 3	.56 3	3.56 3.	.81 .89 1 Year to da	1.2 3.3 te.				13
	J 0. 1.		PUTS	Jun 2.40 2.66 2.93		T FIXED IN				n 24 Yrago	High*	Low*		LT ED	GED /	ACTIV î	TY INC 29 Jes	HCES	Jan 25	Jan 1	<u>24</u> Ja	1 28 n 2 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
open in 577)			Puts 85340	2.93	Fi Ta	ovt. Secs. (UK) ted interest or 1955/96. Government 126 and Page Interes	nt Securities h	27 114.57 ah since coms	114.91 11-	5.15 91,33 4.73 109,57 1,69/1/35), low 4	115.23	90.22 108.77 75), Phos	5-d	t Edged b lay averag ngh since co	-	94, 93, 133,87 (21/	4 9	7.4 3.6 0.58 (3/1/	92.3 94.5 79 . Basis	84. 96. 100: Gove	4	96.7 99:3 curities 15
High 96,92		Low 5.50	Est. vol. 104,719	Open Int. 48,965		FT/ISMA IN	TERNATI	ONAL B	OND SE	RVICE												•

					-	is secondary market. Latest prices at i					•				-
		Bid	Offer	Cing.	Yield	lesued	Bid	Offer	Cing.	Yield	instance	Bid			
	U.S. DOLLAR STRAIGHTS					Sweden 8 97 2500	107	10714		3.81	Abbay Nati Treasury 8 03 2 1000	10132	101%	4	7.71
	Abbey Nati Treesury 5 97 1000 Abbey Nati Treesury 6 2 03 1000	99³i,	997 <u>:</u> 1024		5.26 6.04	United Kingdom 71s 97	105 ⁵ 8 1043	105% 105%	+# -#	3.72 6.15	Affence Letes 11 2 97 £ 100 British Land 87 23 £ 750	با 1054 ولا93	106 ¹ 8	- <u>1-</u> 2 1-2-1	16.45 - 9.77
	ADDRY Reput Plants Liny 6-2 US	1074	107b		6.33	Volkswagen Inti Fin 7 03		30 ⁶ 2	7	6.17	Denmark 64, 98 2	10014	100 ¹ 2	+3	662
	ABN Ames Bank 7 ¹ 4 05 1000 African Dev Bk 7 ³ 4 23 500 Alberta Province 7 ³ 6 98 1000	1085	1074	43	6.89	World Bank 0 15 2000 World Bank 5% 03 3000	100%	101	44	5.73	58 8 03 E 1000	1023	103	ele.	17.49
	Alberta Province 7% 98 1000	105%	105%	يهلم	5.37				•		SSB 8 03 9 1000 Hallian 10 ³ g 97 E 100	1041	1043	•	-5.32
	Asian Dev Bart. 64, 05 750	1023	1025	44	BOT	SWISS FRANC STRAIGHTS			_		Hanson 10 ³ s 97 £ 500 HSBC Holdings 11.69 02 £ 153	105%	105		466 1
		1104	11032	+2,	5.56	SWSS FRANC STRANGHTS Azan Dev Bark 0 16	36		-3-	524	HSBC Holdings 11.69 02 E 153	1175	118	44	808
	Baden-Wuert L-Fin 81 ₈ 00 1000	1067g 1047g	109 ¹ a	+4	5.58 5.44	Austria 4/2 00 1000	1054	105 ¹ 2 1043	-3	3.08 2.47	Eaty 10 ¹ / ₂ 14 £ 400	11412	11478	÷	÷8.86
	Barrit Ned Germenten 7 99 1000 Bayer Venerable 89 00 500 500 Belgium 512 03 700 BFCE 714 97 150 British Columbia 734 02 500 British Columbia 734 02 500 Careada 62 57 2000 Careada 62 57 2000 Chang Kong Fin 512 98 500 Chang Kong Fin 512 98 500	1065	108%	44	5.85	Decreate 4 la 00 100 100 100 100 100 100 100 100 100	1047	1043	-J ₂	297	100 100	100%	100 ¹ 2 107 ¹ 4	Ź	8.52 8.52
	Belolum 5 ¹ 2 03 7000	97	974	ļī.	5.99	EB 3 k 99 1000	1031	103%	-	252	Ontario 11 ¹ 4 01 £ 100	115	1153	-	7.44
	BFCE 74, 97 150	1025	1024		521	88 64 04 300	1123		-12	491	Powergen 8% 03 £ 250	1053	105-g	11g	7.66
	British Columbia 74, 02 500	10912	100%	44	591	Finland 74 99 300	1124	113)4	-4	3.50	Severn Trent 11 ¹ 2 99 E 150	112%	113 ¹ 8	44	7.13
	British Gas 0 21	14%	15 ¹ g		7.71	Iceland 77g 00 100	113	114	-1	4.37	Tologo Elec Power 11 01 £ 150	115l ₂	1154	4	7.37
	Caracta 62 97	7074	201 % 98%	-I.	5.17 6.59	ther Amer Day 44s U3	100/2	303 110	-\$ -2	4.35 4.63	TONZ Fin 94 02 NZS 75 World Bank 1242 97 NZS 250 Credit Local 6 01 FFr 7000	100	1094 1083	7	7.56 B.11
	Change of 1000	86/7	96%	7	6.90	Orabor Hadro 502 100	00h	101	-12	505	Compliant City 57 NZ3	106 ¹ 4 100 ³ 4	100% 100%	4	
	Chine 6 ¹ / ₂ 04 1000 Credit Fonder 9 ¹ / ₂ 99 300 Dermark 5 ¹ / ₃ 98 1000	111	1113		5.50	SNCF 7 04	117	11742	J2	4.58	Bec de France 84 22 FFr 3000	1173	1184	12	5.0° 722
	Denmark 5¾ 98 1000	1011	101 %		5.16	Sweden 4% 03 500	107%	1021	-14	4.47	SNCF 914 97 FFr 4000	105	105%	ı,	8
		IIII	1034	+4	6.14	World Sark 0 21 700	26 ¹ 2	264	그 고	5.34				٠	9
	EB 504 500 EB 9 ¹ 4 97 1000	1003	100°a	4	594	World Bank 7 01	114	1144	-12	391	FLOATING RATE NOTES				· ;
-	EB 94 97 1000 Ebc de France 9 98 200 Er-lim Burk Japon 8 1/2 500 Export Dev Corp 91/2 88 500 Export Dev Corp 91/2 89 1500 Fodest Nest Mort 7.40 04 1500 Fod Mater Credit 91/4 98 1500 Fod Mater Credit 91/4 98 1500 Fod Mater Credit 91/4 98 500 Intel 91/4 1000 Intel 91/4 98 500	108%	107 ¹ 2		511	YEN STRAIGHTS						Ble	4 0	Ger	Cenn
	Four Port later 9 95	107 ¹ 5 111 ² 6	7713		5.35 5.83	Referent 5 00 79000	111h	111%	ᆚ	1.90	Abbey Net Treasury -1 99 1000	99.8	2 98	1.90	5.7500
	Export Dev Corp 912 98 150	109 ¹ 8	1083	1	540	Belgium 5 99 75000 Credit Foncier 4 ³ s 02 75000	1013	102	ı	4.43	Bankarrenca 1 ₈ 99 750 Belgium 1 ₆ 97 DM 500	99.7		LAB	5.9375
	Fed Home Loan 74 99 1500	105 ¹ 2	105%	وآلب	5.44	E8 6 ⁵ 2 00 100000 Ex-im Bank Japan 4 ³ 3 03 105000	118 ¹ 8	118%	٦ě	200	Belgium & 97 DM	100.0			4,4375
	Federal Nasi Mort 7.40 04 1500	108	110	44	6.00	Ex-lm Bank Japan 43 03 105000	1087	103	-4	3.08	Ceneda 1, 68 2000 CCCE 0 05 501 200 Comerzisk O'S Fin 1, 98 750 Ceneda Lyonnais 6 00 300 Ceneda Lyonnais 0.20 98 1250	99.50 99.40			5,6250 5,2812
	Finland 61, 97 3000	1023	103	.1.	521	Inter Amer Dev 7 ¹ 4 00 30000 listy 3 ¹ 2 01 300000 Japan Dev 8k 5 99 100000 Japan Dev 8k 6 ¹ 2 01 120000	121	1214	4	2.08	Commercial Cost Fig. 12 98 750	99.7			5.7500
	FOTO MOTOR CASCE 6% 98	101월	101출 102집	+¥,	5.42 5.54	ESV 3-2 UT 300000	106	1044 111 ⁵ 0	-4	2.71 1.74	Credit Lycomes & 00 300	97.65			5.5000
	NI France 54 98	95	997	걐	5.39	Jacon Day Bk 6 ¹ 2 01 120000	120%	120%	I	253	Credit Lyonnais 0.30 98 1250	100.06			5.7414
•	Inter-Amer Day 71/2 05 500	110	1104.	+50	6.04	Norway 5 ³ 2 97 150000	104%	105	-	0.85	Denmark - 1 ₈ 97 1000 Dreadner Finance 1 98 DM 1000	89.90			5.6875
	ind Finance 54, 89	100%	100%	44	520	SNCF 64, 00 30000	118 ¹ 2	1184	7	1.99	Dreadner Firance & 98 DM 1000	100102			3,4688
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	indi Frinces Si ₁ 89	964	974 1114	ياد ياد	7 <i>2</i> 7 571		1067g 1147g	1074 115	걐	1.15 2.82	Ferro dei Stat 0.10 97 420 Finland 0 97 1000 Finland 1 98 500 M. Bank Ing 1 98 500	98.75			5.7812
	Krista Flor Press 6% (% 1350)	997	100%	7	650	WORD DERW 54 U: 25000	1144	113	-4	2.62	Mf Bank Ing 4 99 500	100.14		124	6.1250
	Matsushita Elec 7 tr 02	1074	10712	43,	5.98	OTHER STRAIGHTS					kely 1, 98 1500 kely 1, 98 2000	99.84			5.5625
ı	Networks Bio 74 02 1000 Norwaty 74 97 1000 Ontario 74 03 3000 Coter Kontrollonik 64 ₂ 01 200 Portugal 54 03 1000 Custose Hydro 94 98 150	1024	10212	•	525	Finland 8 04 LFr 5000 Genfinance Lux 9 ¹ g 99 LFr 1000 KB Deut Industrik 8 ¹ g 03 LFr 3000					listy 4, 98 2000	100.00			59375
	Ontario 71 03 3000	1074	108	+4	6.09	Genfinance Lux 91 g 99 LFr 1000					LKS Baden-Weet Fin -1, 98 1000	99.82 82.25			5.8875 5.9885
	Oster Nontrollbank 8½ 01 200	1124	172l2 99l4	44 44	5.89 600	KB Deut Industrik 8 ¹ 2 03 LFr 3000				5.03	Loyde Bearin Perp S C 10 600	99.5			6.0000 2.9800
L	Curbon Martin 63, 69	1005-	2010 110		5.73	ABN Arres 65 00 F	1057g 1077g	106 ¹ 8		5.88	New Zealand -1, 99 1000	90.0			5.4805
	Quebec Prov 9 98 200	106%	107%	7	5.61	Bell Cenecia 10% 99 CS 150	1124	1124	44	6.56	Nova Scotte /2 99 500	99.8	3 100	105	6.0625
•	SAS 10 99 200	11112	11218	ملب	5.80		1033	104	44	7.21	Ontario 0 99	99.67			5.8750
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í			10312		5.49		1083	109/2		5.78	Supplies (1.05) 98 125	99.90			5.6672 5.8750
į	Sweden 642 03 2000)	10378	1037 <u>1</u> 1021 ₄	+le ele	5.95 5.50	Blac de France 94, 99 C\$ 275	1103 1135	111¼ 114	şåg şåg	6.76	Sweden 0 98 1500 Sweden -1 ₆ (i1 2000	99.67			50730 57500
1	Spatin 5 ¹ / ₂ 89	tot.	10312	14	6.00	Nippon Tel Tel 10 ¹ 4 89 CS 200		112%	***	6.70 B.39		-			
8	Tokyo Elec Power 6 ^L e 03 1000	100°s	100%	يلب	601	Orsano 8 03 CS 1500	1045	1047	1	7.29	CONVERTIBLE BONDS				_
•	Toyota Motor 5% 98 1500	101	1014	•	5.11	Ortano 8 03 CS 1500 Ortano Hydro 107 99 CS 500	112%	7134	43	6.25		COEN.			J.
ė	United Kingdom 714, 02 3000)	1061	108 ¹ 4		5.78	Catar Kontrolloomir 10 to 00 CS 150	1124	7125	44	625	leaued	Price	86 C	<u> </u>	Press.
5	World Bank 6% 05	109%	103 4	ᄹ	596		9618	983	4	7.78	Chuldo Capital 6 98	8 6		117	-326
2	World Bank 84, 97 1500	104	110 ¹ 4 104 ¹ 0	7	5,47 4,98	Career Service 201 Sec. 1900	110% 112%	111 113	ياد وڏو	627 629	Gold Kalgoodia 71 ₂ 00 65				+10.56
ŕ	1900 GER 04 9/ 500	N.	104-2		420	Credit Forcier 8 ³ 2 04 Eq 1000	985a	را ا پاوو	17g	620 8.61	Grand Metropolitan 6 ¹ 2 00 710	437 1	144 11		+15.52
2	DEJISCHE MARK STRAIGHTS					Denmark 8 ¹ 2 02 Scu 1000	110%	1111	7	6.35	Harson P ¹ 2 08 £ 500 Harson America 2.39 01 420 29	248			22.48
:	Austra 512 24 2000	95°s	35%	13	6,65	Denmerk 6 ¹ / ₂ 02 Sou 1000 EC 8 00 Sou 1000 SB 10 97 Sou 1125 Ferro del Sou 10 ¹ / ₂ 98 Sou 500	1014	10114	••	5.72	Hood Koon Level 4 61	8375 - ne	834 874 8	84 · 884 ·	+5421 -4238
	Baden-Wuerd L-Firance 6 99 2000	104%	1047	ولله	440	88 10 97 Sou 1125	1053	1055 ₈	ų,	4.56	Hong Kong Land 4 01 410 :	679 679		10 ₂ 8	15.81
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5	Norway 6 ¹ 5 98 1500 Ontatio 6 ¹ 4 04 1500 Spain 7 ¹ 4 03 4000	1043	105	+	3.88	Sith Aust Govt Fin 8 02 AS	103 ³ g	1035		8.30	Toggethande Helsen File Co. C. GCO.	333 } 505	⊆4¶ 70		+14.03
1	Ontario 6 ¹ ¢ 04	100%	101	4	6.13	Unliewer Australia 12 96 AS 150	107%	108%	_	7.91	Transskrift: Hidge 5½ (0) C 250 No information evaluation - previous de	A,2 lates			
•	Spain 74, 03	1074	1074	4	5,86	Western Aust Treas 79 98 AS 100	89°8	1003	44	7.66	1 Only one market maker supplied a p	ice .			

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Lömb. War.

7.00 7.00 4.20 4.20 5.00 5.00

300 300

9.00 9.00 3.00 1.50 1.50 5.25 0.50 0.50

Open sit. 53,997 52,141 40,562

24754 20963 10207

Sep 0.29 0.33 0.40

Est vol Open int. 33522 179699 31370 176884 26448 181534 25542 160668

Est, vol Open int.

46,229 14,841 6,256

Est. voi

11350

4736 1148 872

(UFFE) SFr1m points of 100%

6814

Low

96.77 96.59 96.50

B (LIFFET L1000m points of 100%

90.30

90.81 91.11 91.22

Low

98.00 97.99 97.89 97.71

Low

95.28 95.48 95.49 95.34

90.44 90.97 91.25 91.35

High

98.15 98.13

98.04 97.82

95.37

CURRENCIES AND MONEY

MARKETS REPORT

Ciling on Golf MARY All eyes on the FOMC

The attention of the markets was split yesterday between the US and Europe. In the US dealers watched anciously to see whether the Federal Open Markets Commit-

tee would cut US interest rates · òr not. In Europe, however, the markets were again convulsed by the future for European growth and monetary union, following the announcement of

a German economic package to stimulate growth. But in spite of this extensive debate, actual trading was rela-tively steady, with only limited movement in the currencies

The dollar drifted upwards during the day against most currencies, amid a background of speculation about the US economy.

released showing that US retail sales were weaker than expec-

15.7592 48.1068 8,6741 6.8721 7.6998 2,2412

46.1068 2.5093 9.8164 232.708

1,5041

11.0521 1.5043

frica 2.0281 11.6328

4.7263 161.336 3.8500 2.2491 39.3932

5.6420 2.1369 5.4956

1180.65

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

(BF1) 100

(CA) 28.15 (FF) 58.88 (FF) 58.88 (FF) 58.88 (A) 1.815 (F) 18.87 (NK) 46.96 (F) 19.81 (SK) 44.03 (SK) 44.03 (SK) 46.10 (SK) 26.26 (S) 20.26 (S) 30.85 (Y) 30.85 (Y) 37.89

THE ID-MANIK PUTTURIES (IMM) DM 125,000 DBF DM

SWISS FRANC FUTURES (RVM) SF 125,000 per SF

UK INTEREST RATES

LONDON MONEY RATES

Latest Change

Zerts of Tet dep. under £100,000 is 2½pic. Deposits withdrawn for crash 1¾pp.
tes. render rate of discount £3658pc. ECOD fixed rate Sig. Export Finance. Mail
986. Agreed rate for period Feb 26, 1996 to Mer 25, 1986, Schemes II & SI 7,69
period Dec 20, 1995 to Jan 31, 1996, Schemes IV & V &A40pc, Finance House E
impary 1, 1996

+0.05 +0.04 +0.04 +0.04 +0.04

BASE LENDING RATES

93,91 94,12 94,13 93,95 93,69

irika rice \$75

CALLS

0.44 · 0.28 0.13

-0.0031 -0.0030 -0.0031

+0.0041 487 +
+0.0555 614 +0.0006 693 +
+0.0003 957 +0.0007 399 +0.211 439 -0.0005 593 -6.23 593 +
+0.0555 614 -

-0.0009 077 -0.0017 082 -0.421 563 -0.453 344 -0.0588 677 -

-0.0041 707 --0.007 722 --0.0898 409 -

-0.0096 267 - 284 -0.0286 281 - 374 +0.0812 270 - 383 -0.0104 209 - 317 +0.594 207 - 465 -0.0081 476 - 557 -0.0081 475 - 557 -0.0723 575 - 286 -0.0723 575 - 286 -0.0734 389 - 441 -0.0021 354 - 383 -0.0147 926 - 985 -0.41 08 - 112

-0.41 018 --0.1148 139 --0.0837 083 -

18,70

10 3.496 7.987 0.320 3.069 7.843 3.309 4.065 7.353 4.219 7.666 3.714 5.119 4.773 6.295

High 0.6778 0.6779

0.8346 0.8369 0.8510

1-3 month

532

88,92 94,14 94,15 93,96 93,70

0.8288 0.8355 0.8415

3-6 months

93.86 94.08 94.09 93.91 93.64

0.04 0.14 0.35

- 8.25

8-8 months

Jun 0.07 0.14 0.26

3ep 0.17 0.26 0.38

4,881

2.811 1 2.326 0.083 0.863 2.263 0.963 1.183 2.140 1.228 2.241 1.061 1.439 1.839 1.832

-0.003 223 - 240

- 686 - 522 - 789 - 781 - 036 - 426 - 836 - 652 - 843 - 522 - 109 - 245 - 853 - 820

POUND SPOT FO

.: 'Jan 30

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ted in December, with a monthly rise of only 0.3 per cent. A recent consumer confidence survey was also disanpointing, showing worsening

This disappointing data lead some observers to conclude that a US rate cut was now more likely.

But with the markets now watching the FOMC meeting, most traders shrugged off the

Consequently, the dollar closed at DM1.4899 in London, compared with DM1.4859 at the previous day's finish. Against the yen, however, it strengthened more: by the end of Lon-don trading it was at Y107.25, compared with Y106.6.

Meanwhile, it also rose slightly against sterling, end-

0.9656 0.9631 2412.69 2396.72 46.1590 45.8090 2.5139 2.4664 9.8518 9.7839 233.063 231.524

189.651 189.182

1.2249 1.2197

11,6739 11,6173

3,9628 3.9462 2,2597 2,2459

39,4290 39,3653 5,6615 5,6347 2,1424 2,1340 5,5123 5,4901

1187.07 1179.16

5221

Est, voi Open int.

21,665 409 17

13,592 310 7

83,039 3,573 1,374

43,027 1,858 103

1,252 0,430 1 0,040 0,384 0,982 0,414 0,509 0,921 0,528 0,984 0,485 0,841 0,584

5.443

3.268 1.120 2.603 0.104 1 2.558 1.078 2.396 1.375 2.508 1.210 1.555 2.052

21,29

12.75 4.360 10.18 0.408 3.912 10 4.218 5.183 9.375 5.379 9.616 4.735 8.526

Mar Jun Sep

NON ERA

Strike Price

1,500 1,510 1,520 1,530 1,540 1,560

Maz Jun Sep

Strike Price 9650 9675 9700

Strike Price

1,5093 1,4764 2,0811

1.8144

1,5021 1,4895 2,0703

ing at \$1,6043, compared with \$1.5079 at the previous day. ■ In Europe, the markets were convulsed by fresh

debates about the prospects for growth in the continent. fuelled by the announcement that Germany and France had both agreed on measures to stimulate their economies. In Bonn, the German govern-

ment announced a 50 point plan aimed at spurring job creation by stimulating investment and growth. The package included cuts in taxes and non-wage labour costs in order to halve unemployment by 2000 from the current rate of near 10 percent.

Meanwhile in Paris a host of French banks reduced their lending rates slightly. This was triggered by a fall in the popular savings rate to 3.50 per cent from 4.50 percent.

These two measures were accompanied by further pledges from European leaders that they would meet the targets for a single European cur-

0.0583

2487.98 44.9588 2,4398 9,7036

194.212

1.7532

1.2074

20617

410.8

245.0 84.52 196.5 7.869 75.49 193.0 81,39 100. 180.9 103.8 188.4 91.87 125.9 117.4 154.9

Open 0.9429 0.9505

22.71

13.60 4.672 10.88 0.435 4.173 10.67 4.498 5.528 10 5.797 10.47 5.051 6.491 8.561

1.5014 1.4980 1,4980

III STEPLENG PUTURES (IMM) 262,500 per 2

2.15214 162,493 39,3960 13,4363 1,91007 195,792 7,26580 6,40808 0,792214

292.867 2108.15 0,788652

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1,33 0,79 0,44 0,30 0,15 0,07

94.68 95.01 95.16

Feb

0.24

0.17 0.08 0.02

2,370 0,814 1,883 0,976 0,727 1,859 0,784 0,984 1,743 1,825 0,880 1,213 1,131 1,482

Change -0,0043 -0.0045

-0.0022 -0.0028 -0.0016

+0.00067

+0.00067 -0.329 +0.0123 +0.0014 +0.0044 -0.261 +0.0016 -0.00549 +0.001029

-0.148 -2.65 +0.001735

Apr 2.52 2.09 1.68 1.33 1.03 0.78

94.71 95.05 95.20

95.16 95.48 95.59

0 0.05 0.26

0.05 0.19 0.40

Jun

0,39 0,30 0,08

0.28

EMS EUROPEAN CURRENCY UNIT RATES

2.11323 159,755 38,7997 13,2658 1,89688 196,093 7,30803 6,48439

\$12.530 2028.54 0.843889

CALLS Mar 2.09 1.54 1.15 0.82 0.57 0.39

Listeet 94.71 95.05 95.18

95,48 95.59

Mar 0.25 0.07 0.01

CALLS

0.24 0.11 0.04

Apr 0.37 0.16 0.04

+0.03 +0.04 +0.02

+0.02 +0.03

2,683 0,925 2,150 0,026 0,026 0,026 1,065 1,065 1,065 1,136 2,073 1 1,278 1,285 1,285

Low

-1.81

-1.61 -1.68 -1.51 -1.28 -1.22 0.15 0.24 1.22 2.71

6.71 -8.68 7.28

Feb 0.88 1.33 1.98 2.59 3.54 4.45

Low

94.66 95.01 95,16

95.15 95.42

504.8

302.2 103.8 241.4 9.868 92.75 100. 122.9 222.3 127.5 232.7 112.3 154.7 144.3 190.8

106.2 108.4 109.3 85.5 109.5 110.6 65.7 97.9 108.4 108.5 96.5 96.5 114.0 63.1

83.7

mostifis %PA

3.5 15.6717 2.7 45.7968 1.8 8.6366 0.8 6.8596 1.7 7.6661 2.7 2.2259

-3.5 2428.78 2.7 45.7988 3.0 2.4904 1.2 9.7849 -2.2 234.038 -2.8 190.757

0.8 2,0696

-0.2 4,1

1,4

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1.219

48,0018 8,6908 6,8677 7,6986 2,2383

0.9634

2414.03 46.0018

233.133

1.8192

1.2218

112

Jan 1996

rency.
Indeed, French Fmance Minister Jean Arthuis insisted that the slowdown in European growth was only "temporary" finance ministers have exchanged views to have a clearer picture of the economic situation in our two countries. The diagnosis is the same: we growth since the middle of 1995." Arthuis said.

We (both) believe that this slowdown is temporary and that a rebound in growth must be expected from the end of the first half of this year," he said.

Nevertheless, this announcement was met with a degree of cynicism from the markets, and it had little impact on actual exchange rates. "The list of German propos

als is still rather vague and will do little for jobs, said Holger Fahrinkrug at UBS in Frankfurt "It is a package of supply-side measures which could be

quite positive for companies but is unlikely to feed through much into the jobs market," he Consequently, the D-Mark moved in a fairly narrow range

during the day, weakening only slightly against the dollar. The French franc, which has been weakening over the last month, also showed only lim-

Against the dollar it closed at FFr5.1185, compared with FFr5.1065 the previous day. Against sterling it closed at

WORLD INTEREST RATES

Belgium week ago France week ago

week ago

maly week ago Netherlands week ago Switzerland week ago

week ago

E SLIBOR FT Los Interbank Fixing Vest ago

US Dollar CDs week ago ECU Linked Ds

week ago

95.23 95.51 95.56

96.69 96.78 96.99 96.50

Oper

90.31 90.82 91.11 91.22

Open

98.00 98.00 97.90 97.71

Open

95.43 95.65 95.69

96.74 96.84 96.78 96.59

90,44 90,96 91,28 91,35

Sett price

98.12 98.10

96,01 97,81

95.36 95.52 95.52 95.43

Sett price Change

+0.20 +0.14 +0.09

+0.05 +0.08 +0.10 +0.11

+0.14 +0.15 +0.15 +0.13

Change

+0.08 +0.11 +0.12

PORTIN ECO PUTURES (LIFFE) Equip points of 100%

+0.10 +0.08 +0.07

Japan week ago

FFr7.6998, compared with FFr7.7001 the previous day. One reason for this lack of movement was a widespread expectation that the Bundes bank will lower the repo rate today, as a possible prehide to

further German rate cuts. Most observers think the reduction will be 10 basis points, although some think it could be more.

"I still think the repo rate will go down about 10 basis points, but given the market situation I wouldn't rule out the possibility of a stronger

decline," another dealer said.

\$\begin{align*}
1 \text{AUB076} - 41.8256 \text{27.2580} \text{28.2580} \text{28.

Beiglan Franc Daylah Krone D-Mark Duch Gulder Fresch Franc Spurish Peets Spurish Peets Starling Swiss Franc Can. Dollar US Dollar US Dollar Hallen Lins Yen. Asked Sking Short term mass DOLLAR SPOT Closing Change mid-point on day One year Rate %PA +0.0277 733 - 789 +0.111 300 - 700 +0.0142 649 - 675 +0.0147 658 - 708 +0.0147 658 - 708 +0.004 895 - 902 +0.73 000 - 100 -0.0029 597 - 611 -0.35 950 - 050 +0.11 300 - 505 +0.0146 223 - 228 +0.0146 223 - 228 +0.09 650 - 740 106.2 108.6 108.6 84.9 109.0 110.1 85.3 10.4606 30.596 5.7612 4.5633 5.1145 10.4286 30.4973 5.7517 4.5546 5.1082 1.8 2.0 1.0 1.2 0.8 1.9 10.3081 30.135 5.7737 4.5258 5.089 1.464 266.8 1.5571 1677 80.205 1.6356 6.4961 90.6500 5,7662 4,5683 5,1185 30.6700 5.7725 4.5832 5.1260 1.4915 30.4550 5.7238 4.5349 5.0865 BESTEBBETEBBETEBBE 1,4809 247,050 1.4790 1,4876 248,725 1,5606 1808,85 30,696 1,565 8,5233 155,07 126,355 6,9827 1,2101 1,5033 1.4827 251.975 1.561 1818.9 30.51 1.6586 8.5151 155.84 127.09 7.0121 1.2529 1.5033 1.4915 1.4790 247.520 244.780 1.5846 1.5575 1802.50 1598.85 30.6700 30.4550 1.6722 1.8561 6.5495 6.4831 155.000 153.940 1,5601 1800.00 30,6500 1,6881 6,5256 72-2 106-2 106-0 97-9 95-4 61-3 84-6 113-5 82-5 Mar Jun Sep Dec 159,445 130,58 7,1496 1,1754 +0.09 690 - 740 - 910 - 010 -0.0224 606 - 703 +0.004 130 - 140 -0.0036 038 - 048 +0.0001 294 - 303 125,980 6,9656 1,2135 1,5043 1,2299 -3.5 -2.7 3.5 0.8 126.050 6.9823 1.2147 1.5096 25.650 6.9265 1.2046 1.5023 (Peso) (RS) (CS) v Peso) 0.9999 0.9781 1.3783 7.3470 - 998 - 999 -0,0004 790 - 781 -0,0013 790 - 785 -0,042 420 - 520 0.9999 0.9996 0.9783 0.9780 1,3803 1,3765 7,3670 7,3420 82.6 **37.6** 1.3488 1.3477 7.7348 7.7320 36.1100 35.9700 3.1444 3.1381 107.430 106.630 (AS) (HCS) (HCC) (ShC) (ShC) (HCC) (-0.0033 477 - 486
-0.0005 325 - 335
+0.14 600 - 100
+0.0006 393 - 444
+0.65 200 - 300
+0.0008 688 - 598
-0.0018 945 - 357
+0.0145 720 - 020
+0.0002 200 - 210
-0.001 525 - 540
+1.6 800 - 900
-0.0105 730 - 780
+0.005 400 - 500 107.250 2.5588 1.4950 26.1870 3.7508 1.4205 3.6633 784.860 27.4765 137.5 107,430 102,530 2,590 2,596 1,4957 1,4945 26,2020 26,1720 3,7507 3,7504 1,4210 1,4180 3,9540 3,5512 786,400 782,400 27,4800 27,4700 2.5802 Mar Jun Sep Dec 1.4961 1.5285 -0.1 3.0 -9.4 -4.6 -0.9 8.751 3.7517 3.7551 3.7551 -0.1 1.3855 2.5 1,417 3,6821 787,85 1,411 3,7336 791,35 # SUROLINA OPTIONS (LIFFE) L1000m points of 1009

The FT GUIDE TO WORLD CURRENCIES, published in Monday's spaper and covering over 200 currencies, is now available by disling the fall number from the keypad or bandert of your far machine, 0891 437 001. ide the UK please telephone +44 171 873 4378 for details on Clavine

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&OPTIONS TRADERS POR AN EFFECTENT COMPETITIVE SERVICE

2.653

1.589 0.546 1.299 0.051 0.487 1.246 0.546 1.168 0.670 1.223 0.690 0.813 0.758

209.5 71.98 167.3 6.701 64.29 164.3 66.32 85.16 154.1 88.38 161.3 77.81 107.2 100.

Est. voi Open int. 9,709 76,869 403 4,191 42 732

50,856 262 5

6,554 15 4

4.60 4.47 4.29 4.05 8.98 2.55 2.47 1.47 0.00

-8.76 6.64 -4.25

PUTS Mer 1,72 2,81 2,61 2,94 3,29 4,03

Est. voi

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The Financial Times plans to publish a Survey on Franchising

on Monday, March 4th. This survey will focus on areas such as research for potential franchises, explores sources of funding available and highlights the specialist help available.

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US \$100,000,000 Credit du Nord Floating Rate Notes due 1997 For the period from January 31, 1996 to April 30, 1996 the Notes will carry an interest rate of 54% per fundin with an interest amount of US \$137.50 per US \$10,000 Note. The relevant interest payment date will be April 30, 1996. Agent Benk

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LONDON STOCK EXCHANGE

Interest rate hopes and bid talk help market rally

By Steve Thompson, UK Stock Market Editor

News of the Hanson group's plan to demerge into four separate businesses electrified the company's shares and helped arrest a worrying slide by a flagging UK market.

The Hanson demerger story another startling rise on Wall Street, which hurtled to a fresh all-time high, and rumblings of a Elbn-plus bid for one of the few remaining independent UK electricity companies, saw London just about creep into positive ground at

Earlier the FT-SE 100 index had

some dealers attributed to a hefty sell programme, but which others said had reflected increased concerns that the much hoped for reductions in interest rates in the US and Germany might not occur.

The rumoured programme trade activity was said to have involved the sale of around £750m worth of stocks across the European markets and to have kept the lid on Continental bourses for much of the morning. By the close of business in London there was no news on a rate cut in the US, but the chances of such a move were said to have increased substantially after weak economic data were released.

These included a lower than

expected increase in US retail sales and a much weaker than expected consumer confidence index.

The Footsie ended a volatile trading session a net 0.7 ahead at 3.735.3. While the FT-SE Mid 250 index continued its run of outperformance against the senior index, closing 6.6 higher at 4,095.7.

Turnover in equities at 6pm reached 839.5m shares and was well ahead of Monday's rather depressed 664.5m. The total was given a big boost by exceptionally heavy trading in Hanson where turnover was well in excess of 100m shares, easily the highest ever in a single session. Overall business was also lifted significantly by a fresh burst of banks, National Grid and a number the 5,300 level. of big conglomerates.

The banks continued to attract heavy selling pressure, with the mortgage/savings sector, featured by Lloyds TSB, Abbey National and the two Scottish banks, once again being roughly handled by marketmakers. The blame for the large-scale selling of the sector was laid squarely on the mortgage price war

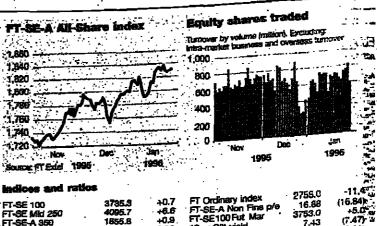
which flared up last week The Footsie began on a firm note and moved ahead to post the day's best gain of 8.5 shortly after the start, sentiment lifted by the latest blast of optimism in the US, where the Dow Jones Industrial Average

unusually heavy activity in the climbed a further 33 points to break

But with doubts about interest rates creeping in, and the rumoured programme selling affecting sentiment, the Footsie dropped back to record a fall of 20.7 over hunch.

Thereafter the index gradually clawed its way back, with the latest tour de force by the Dow. which was up some 50 points 90 minutes after London closed, prompting a

return of confidence to the market. Electricity stocks were among the big winners yesterday on talk that a £1bn loan had been raised by a banking syndicate to finance a bid for one of the handful of indepen-



Gas Distribution

FT-SE Mid 250

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) 525 per full index point

Open Sett price Change High

10 yr Gilt yield Long gilt/equity yld ratio: Worst perform Alcoholic Beverage

3720.0 3751.5

15177

Record trade for Hanson

Hanson chose a good time to revitalise investor perceptions when it revealed it was splitting into four units. Minutes after the announce-

ment, the share price shot up some 15p - a very big move for the normally sluggish shares. Dealers were so frantic in their attempts to pick up stock that electronic screens flashed red as bid and offer prices were briefly reversed. Turnover climbed to 114m, the highest ever recorded for the company. Nevertheless, the stock ended the day only 7 higher at 211%p. That backswing reflected creeping caution as analysts started to look at the

Hanson worth? And which bits will get sold off? Sum of the parts calculations looked discouraging and some specialists suggested that there might not be much of an extra boost for the share price in the

big questions - how much is

In fact, rivals said the corporate broker. ABN Amro Hoare Govett, was instrumental in

the afternoon sell-off. On the plus side, however, Hanson's old Imperial Tobacco arm could make an attractive sale proposition, as might the energy arm - considering the takeover enthusiasm among the regional electricity groups and Hanson's recent purchase

And US analysts, who have seen a wave of big league

they unlock shareholder value. Mr Jack L. Kelly of Goldman Sachs said: "ITT has gone from \$80 to \$130 in little over year and AT&T went well. Investors like these splits. They remove complexity, make the company easier to analyse, motivate management and

Grid boost

The Hanson news gave an unexpected boost to National Grid shares. Investors had been waiting for Hanson to sell the Grid shares acquired through its takeover of Eastern. Now that it is solitting. Hanson is seen as more likely to retain its Grid shares and sell Eastern in its entirety. National Grid marched forward 12 to 2051/ap with 39m

Media shift

Pearson, the media conglomerate which owns the Financial Times, ran up on a story in a rival newspaper that Granada had been prepared to offer up to 900p a share for the

company. There was further support from news, already widely flagged in the market, that Pearson's subsidiary Thames Television had made a recommended cash offer for SelecTV. The shares rose 9 to 659p.

But what was good news for Pearson reflected badly on Carlton Communications. The latter has agreed to buy SelecTV's cable business and some specialists are concerned that the company now intends to expand in those areas. One senior media analyst

break-ups over the past, say said that with connection costs of at least £1,500 per house and cable rental charges at around £300 a year it would take cable companies at least five years just to break even. Carlton

declined 7 to 1037p. Standard Chartered improved 5 to 641p on relief that it has finally sold its stockbroking arm. Also, takeover chatter failed to die away and HSBC, seen as a potential buyer, rose 21% to 1110%p - a new closing peak - with the help of a strong Hong Kong

market. Meanwhile, the split between the global investment banks and their domestic rivals widened, with Lloyds TSB sliding 16% to 318%p on 34m traded and Abbey National dipping 19 to 595p on mortgage price war worries.

A late breaking story that a banking syndicate, including one Jananese bank, had offered facilities of more than £1bn to

Wells Fargo & Company

Floating rate subordinated

propisions of the notes, notice

is hereby given that for the interest period 31 January 1996 to 29 February 1996 the notes

will carry an interest rate of 5.625% per annum. Interest

payable on the relevant interest payment date 29 February 1996 will amount to US\$45.31 per US\$10,000 note

and US\$226.55 per US\$50,000

Agent: Morgan Guaranty Trust Company

JPMorgan

US\$200,000,000

notes due 2000

takeover speculation in the UK electricity company sector. Rumours have focused on

a West Coast US utility revived

General Public Utilities, of the US, making an offer for Mid-lands Electricity. The latter, already at a healthy premium to the level of a previous bid made by PowerGen (which was referred to the Monopolies and Mergers Commission), gained a further 13 at 391p.

Glaxo Wellcome jumped.

with sentiment boosted by announcements from rivals on Aids drug combinations. Merck, of the US, said its new treatment - Crixivan worked better when combined with Glaxo's AZT and Epivir. It said the triple combination therapy reduced levels of HIV

treatment in about 85 per cent Abbott Laboratories made a broke closed a permy ahead at similar announcement about its Ritonavir drug, Glaxo

infection after four months of

FINANCIAL TIMES EQUITY INDICES

Jan 30 Jan 29 Jan 26 Jan 25 Jan 24 Yr ago "High "Low
 2758.0
 2769.4
 2768.3
 2766.6
 2768.2
 2260.7
 2768.2
 2238.3

 3.81
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Open 9.00 10.00 11.00 12.00 13.00 14.00 15.00 16.00 High Low 2758.9 2762.1 2750.0 2748.0 2742.5 2751.2 2753.8 2757.5 2757.0 2762.1 2742.1 Jan 30 Jan 29 Jan 26 Jan 25 <u>Jan 24</u> Yrago 33,184 35,173 35,703 2073.6 2485.0 2005.6 38,415 41,409 42,114 804.7 779.1 751.0 33,972 17,602

52 Week highs and lows LIFFE Equity options

cautious stance on Great Uniappreciated 18 to close at 933p. versal Stores, saying the mar-Shares in Whitbread were in demand and they put on 9 at 697p. A story doing the rounds ket has got "over-excited over planned management late yesterday suggested that changes". The shares lost 10 the group was about to buy Forte's motorway service Talk that Storehouse would soon announce the purchase of Childrens World from Boots Granada Group. Dealers said they expected an announcecontinued to do the rounds yes

Spirits company Allied

Domecq tumbled after Caze-

nove, the group's joint broker,

was said to have downgraded

profits expectations. The

Cazenove was reported to

have reduced its current year

profits forecast by £30m to

£665m, though there are fore-

casts in the market as low as

£635m. The company is to hold

its annual meeting next week

and analysts said they would

be watching developments for

further signs of weakness in

Expectations that Greenalls

Group would become a constit-

uent of the FT-SE 100 index.

later confirmed, helped the

Retailer Marks and Spencer

eased 3 to 435%p, in trade of 3.5m, after NatWest Securities

downgraded its recommendation from "buy" to "hold". The broker published a

detailed note on the retail sec-tor yesterday and said of M&S:

"We see no scope for extended

NatWest also reiterated its

shares firm 10% to 608%p.

Allied's markets.

shares fell 17 to 512p.

erday. Shares in the former ment any day now and they hardened 6 to 298p, while the suggested a price of around £290m. Shares in Granada closed 3 firmer at 705p, while Forte ended the session at latter eased a penny to 618p, on profit-taking. Engineering and defence 341%p, after going ex the spegroup British Aerospace advanced 5 to 890p, boosted by cial dividend. In the rest of the sector. reports that British Airways is Scottish & Newcastle gained 10

about to place a £1bn regional iets order with Aero Internaat 627p ahead of today's anational, a joint venture with sevlysts visit to some of its eral European companies of operations. Volume was 2.9m. Talk that the group was plan-ning to make a bid for lessure which BAe is part. BA firmed 3 to 532p. group Ladbroke was dismissed Investment buying, a direcanalysts as "unlikely". Lad-

tor buying share options and a strong US market combined to make Siebe a good market. The shares rose 11 to 782p.
Transport stock P&O moved

forward 11 to 561p as the market continued to speculate about a £1bn disposal pro-

LONDON RECENT ISSUES: EQUITIES cap 1995/96 [[m] High Low Stock

24.0 14.3 25.6 53.8 59.0 37.1 0.13 1.13 3.09 0.94 5.70 FT GOLD MINES INDEX

3175.11 -1.5 3222.22 2559.55 2790.56 +4.3 2674.56 2131.57 2021.98 +1.6 1990.61 1372.95 Aldez (16)

Div. yield%

National Bank Of Hungary U.S. \$100,000,000

Floating Rate Notes due 2000 Pursuant to Note conditions, notice is hereby given that for the interest period 31st January, 1996 to 31st July, 1996 (182 days), the

> 15 YEAR LONG-TERM NOTES (Coupon No. 23)
> Rate per annum: 6% Amount per coupon: U.S.\$ 303.33 Payable on: 31st July, 1996 3 YEAR SHORT-TERM NOTES (Variable Corepon Numbers)
> Rate not applied at present (No notes outstanding)



The Long-Term Credit Bank of Japan, Limited London Branch Agent Bank

U.S. \$300,000,000 Canadian Imperial Bank of Commerce

(A Canadian Chartered Bank) Floating Rate Debenture Notes due 2084 Notice is hereby given that for the six months interest period from January 31, 1996 to July 31, 1996 the Debenture Notes will carry an interest rate of 5.625% per annum. The interest payable on the relevant interest payment date, July 31, 1996 against Coupon No. 22 will be U.S. \$284.38 and U.S. \$7,109.50 respectively for Debenture Notes in denominations of U.S. \$10,000 and U.S. \$250,000.

By: The Chase Manhattan Bank, N.A. London, Agent Bank January 31, 1996



Sakura Finance Asia Limited

Mitsui Finance Asia Limited U.S.\$150,000,000 **Guaranteed Floating Rate Notes 1997**

In accordance with the provisions of the Notes, notice is hereby given that for the three month period 31st January, 1996 to but excluding 30th April, 1996 the Notes will carry an Interest Rate of 5.75% per annum. Coupon will be U.S.\$143.75 on the Notes of U.S.\$10,000.

👺 SAKURA TRUST INTERNATIONAL LIMITED

31st January, 1996

Agent Bank RODE BARRY DICTORIEN, 11.04 Tel: +852 25220172 Fez: +852 25211199 ICENNI REMECCIO, Emp. Tel: +1 714 854 3344 Fez: +1 714 854 6967

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Salassi to to be

Argus Fundamentals Understand what is driving oil prices - Petroleum Argus

U.S. \$100,000,000 Aliled Irish Banks Pic Subordinated Primary Capital Perpetual Floating Rate Notes accordance with the provisions e Notes, notice is hereby given, the

for the three months interest Period from January 31, 1998 to April 30, 1998 the Notes will cerry an indirect Rate of 6.00% per annum. The Interest payment date April 30, 1998 against Coupon No. 43 will be U.S. \$190.00 and U.S. \$3,750.00 the sum of U.S. \$150.00 will be payable per U.S. \$10,000 principal amount of Registered Notes.

The Num of U.S. \$10,000 principal amount of Registered Notes. January 31, 1996

ANZBank ustralia and New Zealan Banking Group Limited ACN 005 357 522 and behad behin as the Store Victoria. Australia £200,000,000 Toeting Rate Notes due 1997 Nonce is betely given that for the laneaux Pentod 36th January, 1996 to 26th April, 1996, the Nons will carry a Rase of Innerest of the 1975 per cent. per susuan. The Annount of Interest per 210,000 Note will be 21,600.58, payable on 36th April, 1996. aread on the Luxemboury Stock Excluses Company, London Agent Bank

ECU 300,000,600 Kingdom of Belgium Floating Rate Notes due 2000 For the period from January 31, 1996 to April 30, 1996 the Notes will carry an interest rate of 35% per amum with an interest amount of ECU 1287.50 per ECU 190,000 Note. The relevant interest payment date will be April 30, 1996.

Agent Basic BANQUE PARIBAS FT-SE 100 FT-SE Mid 250 FT-SE Mid 250 ex Inv Trusts

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2.07 1.82 1.87 2.02 1.84 2.34 1.84 1.92 2.01 3.63 3.58 3.72 3.76 4.63 2.67 3.11 3.33 3.73 3734.6 3734.7 3734.2 2991.6 4099.1 4085.6 4096.7 3370.4 4092.6 4089.9 4090.9 3383.0 1854.8 1854.6 1854.5 1495.4 15.74 8.63 19.22 20.10 17.93 21.54 16.37 5.38 14.67 6.26 18.68 4.47 21.90 3.23 19.49 3.34 16.69 5.13 1854.9 1854.6 1854.5 1495.4 +0.3 1854.1 1857.4 1857.0 1522.1 -0.2 1860.7 1856.5 1856.8 1468.4 +0.1 2013.76 2012.72 2010.93 1708.44 1987.38 1986.39 1983.80 1888.85 +0.1 1829.89 1829.35 1829.13 1480.56 FT-SE-A 360 FT-SE-A 350 Higher Yield 1256.39 FT-SE-A ALL-SHARE 1830.62 **■ FT-SE Actuaries All-Share** Day's Year Div. Net Jan 30 chge% Jan 29 Jan 28 Jan 25 ago yield% cover P/E Xd adj. Yotal ratio ytd Return 76.97 0.00 1351.16 13.53 0.00 1177.94 18.94 0.00 1406.22 10 MINERAL EXTRACTION(24) 12 Extractive industries(5) -0.2 3217.32 3196.16 3174.06 2637.49 3.64 2.02 -0.1 4111.91 4118.28 4116.38 3561.69 3.61 2.56 -0.2 3265.22 3237.20 3209.21 2628.33 3.78 1.95 15 Oil, Integrated(3) 16 Oil Exploration & Prod(15) -0.8 2141.03 2135.61 2130.43 1886.96 2.31 1.48 36.57 0.00 1.90 16.14 1.18 1098.19 2.17 15.19 0.36 888.30 2.03 15.02 0.61 907.48 1.87 16.57 0.91 1131.08 1.58 14.82 1.99 1013.92 1.96 19.95 1.96 1162.79 2.24 16.80 1.32 1344.05 1.26 25.22 0.23 1327.83 1.26 25.22 0.23 1327.83 2.53 13.04 0.39 1079.48 +u.o 2015.90 2013.11 2010.26 1770.57 4.07 +0.2 1050.98 1049.90 1044.67 945.10 3.80 +0.6 2015.90 2013.11 2010.26 1770.57 20 GEN INDUSTRIALS(276) 2027.26 22 Building Matts & Mercha(29) 23 Chemicals(23) 24 Oversified Industrials(21) 25 Electronic & Blect Equip(38) 3.80 4.10 4.04 5.33 3.20 3.32 3.94 3.79 4.64 +0.3 1822.08 1816.98 1814.98 1675.52 +0.1 2426.61 2420.31 2419.53 2186.65 +2.0 1815.50 1820.21 1813.66 1737.29 -0.2 2288.54 2264.57 2283.15 1818.00 25 Engineering(71) 26 Engineering(71) 27 Engineering, Vahicles(13) 28 Paper, Polig & Printing(28) 29 Textiles & Apperei(19) 2244.16 2603.66 2631,27 +0.2 2240.54 2232.91 2226.32 1704.23 +0.2 2597.81 2599.90 2505.71 2017.93 +0.3 2622.73 2611.40 2615.40 2690.55 1497.32 <u>-0.5 1504.10 1500.45 1508.01 1455.83</u> 1.80 15.01 0.00 898.04 -0.4 3669.13 3661.93 3660.10 2785.38 3.68 1.79 18.88 7.77 1339.30 -1.1 2861.46 2863.90 2861.33 2510.59 4.29 1.79 18.24 28.48 1011.88 +0.1 2621.95 2633.53 2646.51 2307.00 3.93 1.81 17.60 4.53 1165.81 -0.3 2861.92 2662.79 2657.16 2469.88 3.60 2.15 16.17 1.39 988.50 -0.2 1823.84 1837.51 1837.84 1576.64 2.67 17.6 26.65 2.08 1154.35 +0.9 5190.37 5158.54 5186.12 3347.00 3.14 1.70 23.46 0.05 7748.48 30 CONSUMER GOODSIB1 3683.17 32 Alcoholic Beverages(9) 33 Food Producers(23) 36 Heelth Care(20) 37 Pharmaceuticals(13) 38 Tebacco(1) 1920.59 13,17 0.00 1185.96 +1.6 4824,17 4832,64 4824.17 3739,37 1.94 -0.1 2294.50 2289.32 2289.38 1828.75 2.99 2.12 19.72 10.46 1160.08 -0.1 2622.49 2609.51 2598.25 2274.66 3.66 1.79 19.13 0.00 953.52 -2.8 2861.20 2875.10 2853.82 2041.69 3.12 2.04 18.65 104.50 1479.13 +0.8 3840.55 3642.39 3616.39 2684.65 2.13 222 28.48 7.49 1313.03 -0.2 1981.37 1884.00 2024.32 1788.23 3.70 2.41 14.05 0.51 1237.92 -0.5 1842.45 1829.50 1927.66 1808.52 3.07 2.27 17.96 2.01 1090.89 2292.35 40 SERVICES(254) 41 Distributors(32) 42 Leisure & Hotels(24) 43 Media(46) 44 Retailers, Food(15) 2.13 3.70 3.07 3.38 2.42 5.71 1975.43 2.27 17.96 2.01 1090.89 2.08 17.76 12.62 1390.59 2.51 20.63 1.81 1221.18 1.39 24.25 1.17 960.68 +0.9 2893.05 2891.40 2892.76 2191.90 +0.2 1934.52 1928.32 1934.94 1449.24 +0.6 2325.05 2304.07 2295.28 2134.32 Broweries, Pubs & Rest (24) 48 Support Service 49 Transport(21) +0.4 2380.54 2392.77 2411.18 2346.97 5.18 2.02 11.96 26.51 1011.01 +0.9 2669.20 2671.97 2855.49 2405.99 5.14 2.82 9.29 102.23 1302.17 +1.5 1571.02 1594.88 1629.34 2008.10 7.51 1.04 18.07 0.00 800.92 1.02 2008.11 2083.46 2079.89 1675.11 5.85 2.61 8.17 3.61 1128.65 60 UTILITES(34) 62 Electricity(13) 64 Gas Distribution(2) 69 NON-FINANCIAL SIBBIN +0.2 1926.45 1923.62 1923.76 1608.60 3.77 1.95 16.86 6.69 1445.11 -0.8 2656.92 2976.00 2977.24 2055.52 -1.1 4242.14 4281.73 4284.17 2676.83 +0.4 3526.29 3521.25 3523.64 3048.94 -0.8 1437.53 1442.54 1453.18 1137.24 -0.2 3480.58 3428.02 3433.84 2259.25 -2421.82 2418.01 2404.75 1843.71 -0.1 1447.08 1455.85 1468.24 1352.88 2.52 13.97 0.52 1240.43 2.80 13.47 0.00 1345.43 2.41 19.71 0.00 1045.04 2.69 9.08 0.06 1046.04 1.53 20.21 0.00 1407.14 1.57 18.12 0.44 1358.26 1.32 22.03 2.51 878.21 70 FINANCIALS(108) 71 Bents, Retail(9)
72 Bents, Merchant(6)
73 Insurance(24)
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Day's Year Jan 30 chge% Jan 29 Jan 26 Jan 25 ago

■ Hourly move Opes

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 FT-SE Mid 250 FT-SE-A 350 lane of FT-SE 100 Day's high: 8.51em Day's low; 12.75pm , FT-SE 100 1995.05 High; 3758.2 (A41,96) Low; 2954.2 (221/89).

III FT-SE Actuaries 350 industry baskets
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Additional information on the FT-SE Actuaries Share indices is published in Saturday Issues.

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*

8755.0 3751.0 +3.0 3759.0 3751.5 3753.5 +3.0 3754.5 ■ FT-SE MID 250 RADEX FUTURES (LIFRE) £10 per tuli index point +10.0 IL FT-SE 100 DIDEX OPTION (LIFFE) ("3732) £10 per full index point Calls 5.115 Pets 6.350 E SURO STYLE FT-SE 100 INDEX OPTION (LIFFE) 210 per full index point MARKET REPORTERS: Peter John.

P/E Xd adj. Yotal ratio yto Return 15.74 8.83 1496.73 1621.06 1624.21 1521.93

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WEDNESDAY JANUARY 31 1996

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rate reduction lift indices

helped the Dow, which is

weighted towards that sector,

outperform the more broadly

based S&P. The Morgan Stan-

ley index of cyclical shares was

1.7 per cent up and its counter-

companies rose 0.7 per cent.

part index of consumer goods

formance was a healthy earn-

ings report from General

Motors - the largest automo-

bile manufacturer in the US

and a component of the Dow.

Shares in GM added \$1% or 3

per cent to \$54% after the com-

pany reported fourth quarter

earnings of \$1.98 a share, 67

cents a share ahead of the

Other rising cyclical shares

mean forecast from analysts.

in the Dow included Du Pont,

up \$1% at \$76%. Aluminum

Company of America, \$1%

stronger at \$55% and Union

Carbide, which moved ahead

The Dow also received a

boost from a rise in the price of

Merck, on the beels of an

announcement that it had

nade a substantial advance in the battle against Aids with its drug Crixivan. Studies found that the drug reduced that lev-

els of HIV, the virus that causes Aids, when taken with two other Aids drugs, AZT and DDI. Shares in the drug com-

Toronto drove further into

record territory, powered by an

higher gold prices and falling rates. The TSE-300 Composite

index was 27.12 higher by noon

at 4,976.33 in heavy volume of

50.9m shares as investors also

kept a close eye on the US Fed-

erai Open Market Committee

meeting for any sign of a move

on interest rates that might

\$1% to \$41%.

Canada

Also boosting the Dow's per-

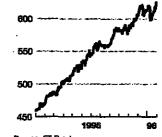
Wall Street

Hopes that the Federal Reserve would cut interest rates today sent US shares further into record territory in midday trading yesterday, writes Lisa Bransten in New York.

In the early afternoon, the Dow Jones Industrial Average was more than 50 points higher, triggering the "downtick rule" that restricts program buying. By 1 pm, however, the index

was off the session's high with a gain of 47.69 at 5,352.67. The Standard & Poor's 500 was 4.20 higher at 628.42 and the American Stock Exchange composite rose 2.26 to 549.92. The technology-rich Nasdaq composite was

S&P 500 Composite



up 7.89 at 1,050.40. NYSE vol-

ume was 263m shares. Weak economic data added to the growing consensus that the Fed would ease monetary policy at the conclusion of its two-day Open Market Committee meeting that began yesterday. Retail sales rose 0.3 per cent in December, making 1995 the worst year for retailers since 1991, and consumer confidence fell sharply in January. dampening prospects that sales would rebound in the near

Hopes for looser monetary policy led to another day of gains for cyclical shares and

at 21m shares.

previous year.

the past two days.

Hopes for US Paris rises above 2,000 after banks cut rates would permit the Bank of Italy

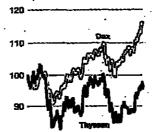
The cut in base lending rates and a savings rate gave PARIS a kick start and the CAC-40 index closed above the 2,000 level for the first time since

Mr Simon Hopkins at Nomura in Paris said that there was heavy US institutional buying during the afternoon, which could possibly be put down to programme trading. The interest rate picture was the cue for buying, he added, and there was a feeling that the cut in the savings rate could now encourage domestic investors to re-enter the equity

The index rose 22.45 to

2,003.13, just off am intra-day high of 2,004.43. Turnover reflected the positive interest being shown, topping FFr5.7bn. Bouygues was suspended throughout the day at FFr532 before announcing that it expected a 1995 loss of FFr4bn after making a provision of FFr4.4bn. But the company also said it expected to make a profit this year. Trading was due to resume this morning, and some dealers said that they were not expecting a heavy sell-off. With interest rates on the decline, those companies, such as Bouygues, with exposure to the property sector could now be expected

growth.



Share price and index rebased

to turn the corner, they

remarked. Among laggards. Accor gained FFr17 at FFr670 and Alcatel Alsthom FFr15.90 at FFr456.50. Among banks. Suez rose FFt5 to FFt193.70, and Paribas FFr4.50 to FFr364.80 in spite of reporting a loss at its Spanish subsidiary.

STOCKHOLM leapt 1.8 per cent on news that the central bank had cut its key repo rate to 8.45 per cent from 8.66 per cent. The Affärsvärlden index picked up 30.3 to 1.749.6 as analysts commented that the unexpected rates cut indicated a shift in central bank policy away from currency stability

to reviving flagging economic

insurers were among the day's best performers. S-E Banken climbed SKr2 to SKr52 and Handelsbanken gained SKr3 to SKr129.5. Skandia, the insurer, rose SKr2 to SKr174

results for 1995. FRANKFURT was saved by a round of buying towards the close. The Dax finished 10.26 down at 2,435.79, while the Ibis pushed higher to end at 2.456.09.

Deutsche Bank rose in early floor trading to a new 52-week peak of DM73.70 after the bank said it would nay a higher diviback to end 5 pfgs lower at DM73.35. In the lbis the bank made 67 pfgs to DM73.57. Thyssen, the steel and engi-

neering group, slipped DM3.60 to DM285, and then rose to DM286.40 in the Ibis in line with the market after its profits forecast for the year to the end of September 1996. Analysts were expected to downgrade earnings estimates, but most were waiting until a meeting with the company on Friday before saying more.

ZURICH recouped 1.2 per

FT-SE Actuaries Share Indices Rate-sensitive banks and THE EUROPEAN SERIES 10.30 11.00 12.00 13.00 14.00 15.00 0090 FT-SE Enrosect 100 1542.41 1542.24 1542.70 1541.49 1541.72 1543.34 1547.74 1548.40 FT-SE Enrosect 200 1848.14 1548.22 1548.28 1647.15 1848.25 1649.56 1654.85 1656.45 29 موا Jen 25 1536,40 1644.06 Electrolux jumped SKr14 to SKr289 after presenting stronger than expected annual

cent in volatile trade, with a firming dollar, the strong start on Wall Street and rising bond futures providing support. The SMI index picked up 38.6 to

3 236 8 Credit Suisse Research noted that the equity market had fallen almost 7 per cent since its neak on January 4, rocked the sudden fall in yields in onds However, it believed that an expected calming on the bond market would halt the stock price slide and allow equities to resume an inward trend during the first quarter of the year.

Financials benefited from the recovery in bond futures. UBS bearers, very volatile recently, picked up SFr32 to SFr1,271. The insurance sector, particularly hard hit and losing about 10 per cent of its value

liamentary groups. Banks were in demand, par-tially on hopes that a clarificasince the start of the year, also put in a strong performance. Swiss Re jumped SFr42 or 3.5

L287 to L10,832 Eni, the energy giant, picked up L78 to L5.920 on further

strong foreign buying.
Telecoms also found foreign
demand, with Telecom Italia up L58 to L2,746 and Stet gaining L75 to L4.747. Against the trend, Rinas-

to cut interest rates. MI was

up 1.247 to 1.10,546, while BCI

gained Lo6 to L3.603 and

Mediobanca moved ferward

cente, the retailer, lost L73 to L10,096 after the group released 1995 sales figures. WARSAW eased slightly. having set three consecutive 52-week highs and breaking the 10,000 barrier at the start of the week. The Wig index lost 0.1 per cent to 10,171.5 as turnover slipped 20 per cent to

80.8m zlotys. VIENNA made further prog-ress as the ATX index posted a rise of 5.55 at 1,076.5 after dipping to a low of 1,063.92. The leading gainer was Austria Mikro Systeme, up Sch55 to Sch1,615 but off a high of

Sch1.630. OMV added Sch2 at Sch987 and said it expected 1995 pretax profits to exceed Sch2bn, as against 1994's Sch839m.

Written and edited by Michael

Tokyo

Growing hopes for economic recovery support Nikkei

pany jumped \$1% at \$70. American Depositary Receipts of Glaxo Wellcome,

Another overnight recordwhich makes AZT, climbed \$11/4 to \$28% and Bristol-Myers breaking rally on Wall Street, Squibh, which makes DDL added \$% at \$88%. combined with hopes for a Japanese economic recovery, supported investor confidence and lifted the Nikkel, writes Emiko

Terazono in Tokyo. The Nikkei 225 average put on 133.24 at 20,722.44, after moving between 20,602.25 and 20,796.69. The third consecutive rise in Japanese industrial production figures, released on Monday, raised hopes of a steady economic recovery. Banks, which had been sold on fears of a prolonged debate over the housing loan liquidation, were bought and led the

Volume was 570m shares. against 516.8m. The Topix index of all first section stocks rose 4.92 to 1,598.14 and the Nikkei 300 added 0.79 at 298.59. Gainers led declines by 701 to 337, with 174 issues unchanged. In London the ISE/Nikkei 50

index rose 3.75 to 1,400.34. Speculative stocks again led activity. Traders said individuals targeted issues which were free from the influence of foreign and institutional trading. Brokerage dealers are also join-

ing the fray in search of 5,640.07 points in volume of

Mexico loses gain Televisa receded 3 per cent on profit-taking, having put on

> SANTIAGO recovered from early losses on bargain hunt-

Mexico City reversed an early gain and was lower in thin trade before midday as investors took profits and waited for

signs from the money market The IPC index was off 23.73 at 3.064.26. Volume was weak

which had fallen 3 per cent over the last week, finished ing had really slowed down in the first round down 0.7 per cent at 93.69. The general IGPA index slipped 0.3 per cent to 3.6bn pesos.

S African golds rejuvenated

after a firmer bullion price rejuvenated gold shares, but industrials lost ground on uncertainty over short-term

Anglo American relinquished 50 cents to R271.50. with its decline tempered by the gains in gold shares.

gains in the past few sessions after Grupo Alameda, which owns Televisa stock, restruc-

ing by foreign investors.

The selective IPSA index,

short-term profits.

A local broker, meanwhile, noted that issues owned by Norinchukin, the agricultural financial institution which extended a large amount of loans to the housing loan companies, were active. This reflected speculation that Norinchukin might try to support the prices of such shares to take profits.

In spite of this, fishing company Kyokuyo, in which Norinchukin has a 4.9 per cent stake, fell Y20 to Y850. Other Norinchukin owned companies lost ground, including Nippon Kakoh Seishi, off Y36 at Y749. Other speculative shares did better, with Takara Shuzo up Y90 to Y1,330 and Rythm Watch, the day's most active stock, rising Y16 to Y480. Bank stocks improved, Sumi-

tomo Bank firming Y10 to higher, with Nomura Securi-

ties putting on Y30 at Y2,230. The dollar's stability supported export-oriented stocks. Car companies were higher, with Toyota Motor up Y10 to Y2,300. High-technology issues also gained ground: up Sony appreciated Y130 to Y6,430. In Osaka, the OSE average \$\$4.50 a share.

improved 55.11 to 22.118.85 in volume of 154.9m shares. Roundup

HONG KONG closed at a twoyear high on a late surge driven by soaring futures and New York's record close overnight. The Hang Seng index climbed 142.49 or 1.3 per cent to 11,201.46 in turnover that picked up to HK\$6.5bn.

Banks, especially smaller ones, were stronger after Ra Wah Bank reported positive earnings and larger than expected inner reserves under new disclosure rules on Monday. Ka Wah was up 15 cents at HK\$2.75. Bank of East Asia advanced HK\$1.40 to HK\$32.80, aided also by talk of a covered warrant issue, and HSBC gained HK\$1 at HK\$126.

Sun Hung Kai Properties jumped HK\$2.25 to HK\$72.25 and New World was ahead 70 cents at HK\$37.70.

Recently underperforming utilities bounced. HK Electric rose 45 cents to HK\$26.30 and China Gas moved ahead 30 cents to HK\$13.85.

TAIPEI saw a wave of late buying lift share prices after the island's radio reported that the Chinese Premier Li Peng had not made any mention of a timetable for reunification in a speech delivered yesterday in

The weighted index, which had fallen sharply on Monday on worries about Chinese intentions towards the island, rose Ill.50 or 2.4 per cent to T\$22.8bn. China Steel gained 60 cents or 3 per cent at T\$20.3. SINGAPORE rebounded from early losses on bargain hunting, with some UK funds said to be among the buyers. The Straits Times Industrial index ended 0.39 off at 2,423.68, but up from a low of 2,410.02.

Amcol was actively traded,

picking up 8 cents to S\$4.22. After the close of trading, the trading and property group said that its former managing director, Kang Hwi Wah, had agreed to sell 6.7 per cent of the company to the Trans-SEOUL closed firmer in relamarco chief, Sukamto Sia, at

KUALA LUMPUR recovered from a weak morning, when interest rate worries drove prices down, as selective bargain hunting by both institutions and retailers nudged prices higher. The composite index finished 11.63 ahead at 1.052.89.

Phileo Allied immned 75 cents to M\$10.30 after announcing a three-for-one bonus proposal. Idris gained 6 cents at M\$3.84 on news that it had been awarded a new large forest concession in Sabah.

After their recent pause, second liners were again driven up by speculative buying. Pegi rose 21 cents to M\$2.95 on revived rumours of an asset injection and takeover.

tively active trade after late profit-taking wiped out the bulk of earlier gains. The composite index ended 2.3 ahead at 875.45 after touching 881.60.

The announcement that industrial output growth continued to slow in December was in line with forecasts and had little immediate impact on the market.

Chong Gu Construction went the day's limit down, weakening Won1,000 to Won15,900, on news that it had been sued by would-be residents of one of its Seoul apartment projects over alleged excessive charges.

Most preferred stocks, which accrue higher dividend payments than common shares, rose as local media reported details of new rules requiring companies to base their dividend payouts on market share

per cent to SFr1,237, profiting

AMSTERDAM had a dismal

day in contrast to its neigh-

bours. The AEX index lost 2.87

to 502.74, but was up from a

There were still speculative

KLM sank Fl 3.50 to Fl 50.40

MILAN continued to press

higher on suggestions that President Oscar Luigi Scalfaro

was keen to avoid a snap gen-

eral election as a way out of

Italy's political crisis. The

Comit index rose 6.99 to 613.77

and the real-time Mibtel index

dent began a third and final

round of negotiations with par-

added 146 at 9.841 as the presi-

efter third-quarter figures

buyers in Fokker, which rose

another 30 cents to FI 4.60.

from several recomm

failed to ple

instead of par values. BANGKOK rallied 1.2 per cent as investors bought leading finance and bank shares. The SET index moved up 16.89 to 1,393.34 on turnover of Bt7.6bn, Krung Thai Bank was the most active issue and rose Bt5 to Bt130.

SYDNEY was defeated by profit-taking as the All Ordiparies index lost 13.5 to 2.265.8. Volume totalled 298.2m shares worth A\$545.5m, with declines leading rises by 462 to 391. Advance Bank gained 35 cents at A\$11.80 after a high of A\$12.00 following results. Brokers said investors sold National Australia Bank and ANZ to buy Advance. NAB made 5 cents to A\$12.82 after a high of A\$12.37, while

ANZ shed 10 cents to A\$6.73. The gold shares index fell 36.9 to 2,157.2, with Gold Mines of Kalgoorlie down 3 cents at A\$1.47 and Newcrest Mining 22

MANTLA failed to reverse early selling of leading issues as fears of a possible rise in inflation triggered profitslipped 18.20 to 2,860.38, up from the session's low of 2.844.20, in volume of 2.8bn shares worth 1.8bn pesos. **BOMBAY** was propelled higher by heavy short-cover-

ing, triggered by large short

sold positions, and the BSE-30

index rose 37.74 to 2.909.92.

Jan. 1996

FT/S&P ACTUARIES WORLD INDICES

Johannesburg finished mixed picked up 23.4 to 1,730.4.

Dealers remarked that trad-

Banorte, the financial group,

surrendered 4.4 per cent after

reporting a slightly lower 1995

net profit compared with the

Dealers noted that industrials had fallen throughout the day, consolidating after last week's strong run, and knocked by Monday's poor December M3 money supply figure, which dashed hopes of an early interest rate cut.

The overall index was down 7.2 to 6,930, industrials shed 25.3 to 8,667.3 and golds

On the gold board, gaining issues included Vaal Reefs, up R9 to R379, Gold Fields, R3 ahead at R133, and Freegold, which firmed R1.25 to R38.75. The heavily weighted conglomerate South African Breweries skidded R2 to

R137.50, while Remgro

receded 50 cents to R40.25 and

pulp and paper producer Sappi slipped R1.25 to R49.50.

Nov. 1995

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